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Report Card 10

Measuring child poverty

New league tables of child poverty in the world's rich countries

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Innocenti Report Card 10 was written by Peter Adamson.

Two background papers from the UNICEF *Innocenti Research Centre* support this Report:

1. Bradshaw, J., Y. Chzhen, C. de Neubourg, G. Main, B. Martorano and L. Menchini (2012), 'Relative Income Poverty among Children in Rich Countries', *Innocenti Working Paper* 2012-01, UNICEF Innocenti Research Centre, Florence.
www.unicef-irc.org/publications/pdf/iwp_2012_01.pdf
2. de Neubourg, C., J. Bradshaw, Y. Chzhen, G. Main, B. Martorano and L. Menchini (2012), 'Child Deprivation, Multidimensional Poverty and Monetary Poverty in Europe', *Innocenti Working Paper* 2012-02, UNICEF Innocenti Research Centre, Florence.
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The *Report Card* series is designed to monitor and compare the performance of economically advanced countries in securing the rights of their children.

The Innocenti Research Centre (IRC) was established in Florence, Italy in 1988 to strengthen the research capability of the United Nations Children's Fund (UNICEF) and to support its advocacy for children worldwide. IRC is the dedicated research hub of the UNICEF Office of Research (OOR), which provides global leadership for the organization's strategic research agenda around children. The Office aims to set out a comprehensive framework for research and knowledge within the organization, in support of its global programmes and policies. Through strengthening research partnerships with leading academic institutions and development networks in both the North and South, the Office seeks to leverage additional resources and influence in support of efforts towards policy reform in favour of children.

The Centre's publications are contributions to a global debate on child rights and help facilitate full implementation of the Convention on the Rights of the Child in low-, middle- and high-income countries. The views expressed are those of the authors and researchers and do not necessarily reflect the policies or views of UNICEF.

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Which countries are included?

Data on child deprivation rates are drawn from the 2009 round of the *European Union Statistics on Income and Living Conditions* and are therefore available for 29 countries, i.e. all 27 countries of the European Union plus Norway and Iceland. Most of these (23 out of 29) are also members of the Organisation for Economic Co-operation and Development (OECD). The exceptions are Bulgaria, Cyprus, Latvia, Lithuania, Malta and Romania, which are EU member states, but not members of the OECD.

Data on relative child poverty rates are also available for six additional OECD countries (Australia, Canada, Japan, New Zealand, Switzerland, and the United States). The analysis of relative child poverty therefore includes the following 35 countries:

Australia, Austria, Belgium, Bulgaria, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States.

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This report sets out the latest internationally comparable data on child deprivation and relative child poverty. Taken together, these two different measures offer the best currently available picture of child poverty across the world's wealthiest nations.

Previous reports in this series have shown that failure to protect children from poverty is one of the most costly mistakes a society can make. The heaviest cost of all is borne by the children themselves. But their nations must also pay a very significant price – in reduced skills and productivity, in lower levels of health and educational achievement, in increased likelihood of unemployment and welfare dependence, in the higher costs of judicial and social protection systems, and in the loss of social cohesion.

The economic argument, in anything but the shortest term, is therefore heavily on the side of protecting children from poverty.

Even more important is the argument in principle. Because children have only one opportunity to develop normally in mind and body, the commitment to protection from poverty must be upheld in good times and in bad. A society that fails to maintain that commitment, even in difficult economic times, is a society that is failing its most vulnerable citizens and storing up intractable social and economic problems for the years immediately ahead.

It is for these reasons that this comparative snapshot of child poverty in the industrialized nations is presented for the attention of political leaders, press and public.

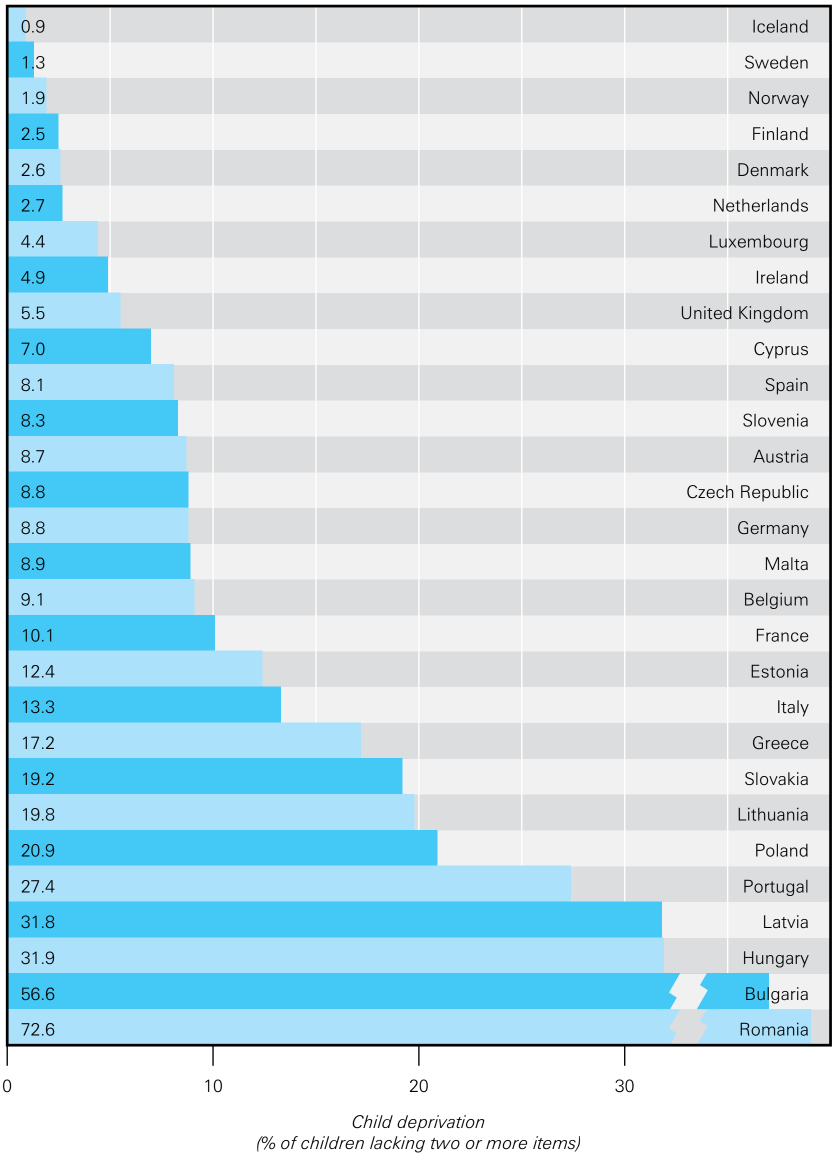
TWO VIEWS OF CHILD POVERTY

New league tables of child poverty in the world's rich countries

Fig. 1a A league table of child deprivation, 29 economically advanced countries

Figure 1a shows the percentage of children (aged 1 to 16) who lack two or more of the following 14 items because the households in which they live cannot afford to provide them.

1. Three meals a day
2. At least one meal a day with meat, chicken or fish (or a vegetarian equivalent)
3. Fresh fruit and vegetables every day
4. Books suitable for the child's age and knowledge level (not including schoolbooks)
5. Outdoor leisure equipment (bicycle, roller-skates, etc.)
6. Regular leisure activities (swimming, playing an instrument, participating in youth organizations etc.)
7. Indoor games (at least one per child, including educational baby toys, building blocks, board games, computer games etc.)
8. Money to participate in school trips and events
9. A quiet place with enough room and light to do homework
10. An Internet connection
11. Some new clothes (i.e. not all second-hand)
12. Two pairs of properly fitting shoes (including at least one pair of all-weather shoes)
13. The opportunity, from time to time, to invite friends home to play and eat
14. The opportunity to celebrate special occasions such as birthdays, name days, religious events, etc.



Note: Data refer to children aged 1 to 16.
Source: Calculations based on EU-SILC 2009.

The data are drawn from the 2009 round of the *European Union Statistics on Income and Living Conditions* (EU-SILC) and are not available for non-European countries of the Organisation for Economic Co-operation and Development (OECD).

Introduction

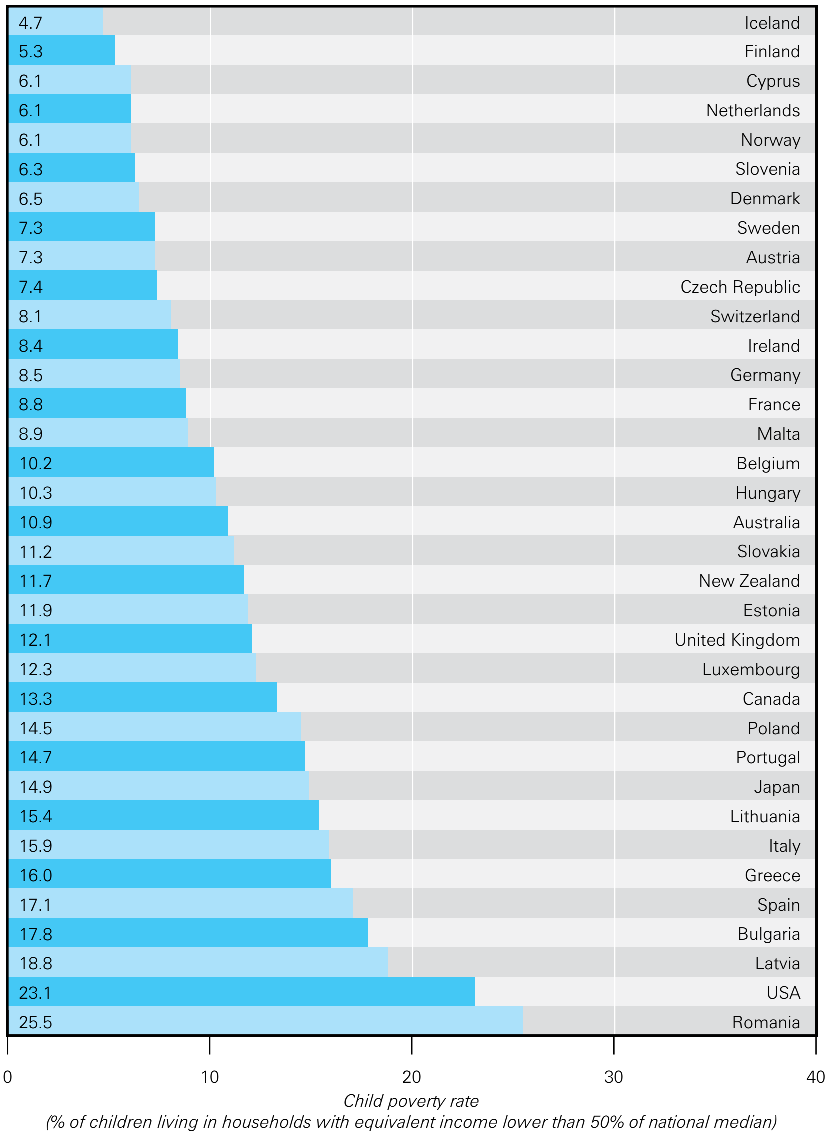
The league tables on these pages present the latest available data on child poverty across the world's rich nations.

Figure 1a, made available here for the first time, shows the proportion of children in each country who are deprived – i.e. 'lacking two or more' of 14 items considered normal and necessary for a child in an economically advanced country (see opposite for the full list).

Figure 1b shows the percentage of children living in relative poverty, defined as living in a household whose income, when adjusted for family size and composition, is less than 50% of the median income for the country in which they live.

Fig. 1b A league table of relative child poverty, 35 economically advanced countries

Figure 1b shows the percentage of children (aged 0 to 17) who are living in relative poverty, defined as living in a household in which disposable income, when adjusted for family size and composition, is less than 50% of the national median income.



Note: Data refer to children aged 0 to 17.

Sources: Calculations based on EU-SILC 2009, HILDA 2009, SLID 2009, SHP 2009, PSID 2007. Results for New Zealand are from Perry (2011). Results for Japan are from Cabinet Office, Gender Equality Bureau (2011).

Some OECD countries – Australia, Canada, Japan, New Zealand, Switzerland and the United States – are included in the league table of relative child poverty (Figure 1b) but could not be included in the league table of child deprivation (Figure 1a) because relevant data are not available. Child deprivation data are drawn from the *European Union Statistics on Income and Living Conditions* and are therefore only available for the 27 EU countries plus Iceland and Norway.

As may be seen at a glance, the two league tables project two very different pictures of child poverty in the world's rich nations. What these different pictures mean – the relationship between them and the controversies surrounding them – is the subject of this *Report Card*.

Slipping down the agenda

In the wake of statistics following the post-2008 economic crises, the child poverty rate has rarely surfaced. *"In a downturn,"* says Sharon Goldfeld, National Director of the Australian Early Development Index, *"the first thing that happens is that children drop off the policy agenda."* Yet it is arguable that the child poverty rate is one of the most important of all indicators of a society's health and well-being. For the here and now, it is a measure of what is happening to some of society's most vulnerable members. For the years to come, it is a pointer to the well-being and cohesion of society as a whole.

Previous reports in this series have presented the evidence for the close association between child poverty and a long list of individual and social risks – from impaired cognitive development to increased behavioural difficulties, from poorer physical health to underachievement in school, from lowered skills and aspirations to higher risks of welfare dependency, from the greater likelihood of teenage pregnancy to the increased probability of drug and alcohol abuse. That there are many exceptions – many children who grow up in economically poor families who do not fall into any of these categories – does not alter the fact that poverty in childhood is closely and consistently associated with measurable disadvantage both for individuals and for the societies in which they live.[i]

A commitment to protecting children from poverty is therefore more than a slogan or a routine inclusion in a political manifesto; it is the hallmark of a civilized society.

Box 1 Children and recession

There are almost no internationally comparable data on what is happening to child poverty as a result of the economic downturn of the last three years.

It is nonetheless evident that front-line services for families are everywhere under strain as austerity measures increase the numbers in need while depleting the services available. It is also clear that the worst is yet to come. Many families, even those on low incomes, have some form of 'cushion' – whether in the form of savings, assets, or help from other family members – by which to maintain spending during difficult times. There is therefore almost always a time lag between the onset of an economic crisis and the full extent of its impact.

Commitment

In Ireland, a leader in both the theory and practice of monitoring child poverty, some data are available to estimate the effects on children and families of a severe contraction in the national economy. Between 2009 and 2010, for example, Ireland's own child deprivation index showed a rise of almost 7 percentage points, from 23.5% to 30.2%.[1] Over the same period, falling median incomes meant that relative child poverty rose by less than one percentage point – again showing the value of using the two different measures discussed in this report.

The possible impact of the economic downturn on efforts to reduce child poverty rates has also recently been estimated for the United Kingdom, where the *Child Poverty Act* of 2010 has set legally binding targets for reducing child poverty. By 2020, the relative child poverty rate is to be halved to no more than 10%. ('Absolute income poverty' – defined as living on an income below 60% of the median income for the benchmark year 2010 and updated only for inflation – is to be cut from 20% to 5%.)

But as the Act came into force, the economic crisis was already beginning to threaten social protection programmes. Child benefits, for example, have been frozen for three years – meaning that in real terms they will fall in value. Child tax credits and other programmes designed to protect the poorest children have been cut back.

What difference are such changes likely to make to the UK's long-term efforts to bring down child poverty rates?

Reversal

According to an October 2011 report from the Institute for Fiscal Studies (IFS),[2] the likeliest prospect is that the progress of recent years will be thrown into reverse. Although currently thought to be stable, the child poverty rate is predicted to begin rising again in 2013.

A crisis of monitoring

In practice, making good on this commitment is impossible without close monitoring of what is happening to children's lives. It is monitoring that makes possible evidence-based policy, political accountability, informed advocacy and the cost-effective use of limited public resources. The availability of timely data is therefore in itself an indicator of whether the commitment to protecting children is being taken seriously or not.

The two league tables, Figures 1a and 1b, therefore reveal more than the percentages of children living in different kinds of poverty. They also reveal a crisis of monitoring. In both cases the data they present, although the latest available, are mostly drawn from surveys conducted in 2009. They are therefore at least two to three years old.* This would be bad enough at the best of times. But these are not the best of times. And it is a significant failing, on behalf of many governments of OECD countries, that the available data on children's lives do not yet reflect the impact of the economic downturn (see Box 1: Children and recession).

Underlying weak monitoring is the lack of any robust public or political consensus on how child poverty should be defined and measured.

"The discourse on poverty is very confusing," says Jonathan Bradshaw, Professor of Social Policy at the University of York and one of the authors of the statistical analysis on which this report draws:[ii] *"We tend to mix up concepts and measures and use different words to describe the same thing and the same words to describe different things."*[iii]

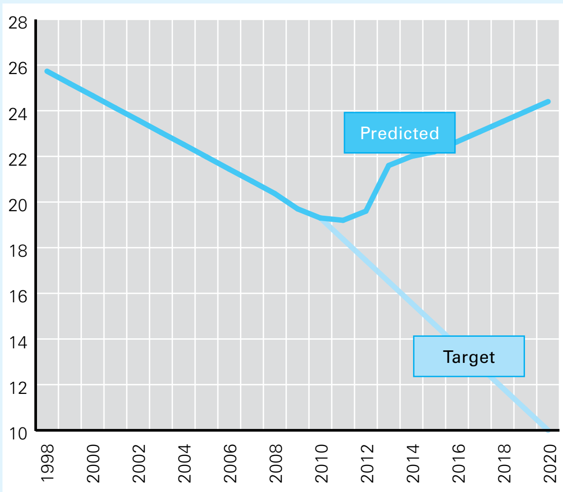
Many of the questions and confusions about the measurement of child poverty are encompassed by the two league tables with which this report begins. It may therefore be helpful to summarize the principal differences between them.

Looking further ahead, levels of 'relative' and 'absolute' child poverty are expected to reach 24% and 23% respectively by 2020/21 – compared to the target figures of 10% and 5%. This would mean a return to the relative child poverty levels of two decades ago.

Such forecasts, says the IFS, are *"always highly uncertain."* In particular, they cannot accurately predict the impact of, and responses to, the tax and benefit changes currently in the pipeline. They are nonetheless the best available independent estimate of *"what might happen to poverty under current government policies."*

Since these forecasts were made, the commitment to increase child credits by more than the rate of inflation in 2012 and 2013 has been abandoned. According to IFS calculations, this decision alone is likely to mean that another 100,000 children will fall below the relative poverty line.

Relative child poverty rate, United Kingdom, 1998–2020



Source: Data from the Institute for Fiscal Studies, London, October 2011. The graph shows the percentage of children living in households below 60% of equivalized median income before housing costs. For illustrative purposes, the 'Target' line assumes linear progress towards the 2020 goal.

[1] Central Statistics Office Ireland, Government of Ireland, 2011.

[2] Brewer, M., J. Browne and R. Joyce (2011). *Child and Working-age Poverty from 2010 to 2020*, Institute for Fiscal Studies, London.

* EU-SILC 2009: data on income refers to 2008, other data to 2009. Poverty data was released in early 2010.

A deprivation index

Figure 1a, a League Table of Child Deprivation, represents a significant new development in the international monitoring of child poverty. For the first time, the *European Union Statistics on Income and Living Conditions*, sampling more than 125,000 households in 29 European countries, has included a section on the lives of children aged 1 to 16. Using this data, the UNICEF Innocenti Research Centre has constructed the 14-item *Child Deprivation Index* on which League Table 1a is based.

The 14 items in the index encompass the ability of households to afford:

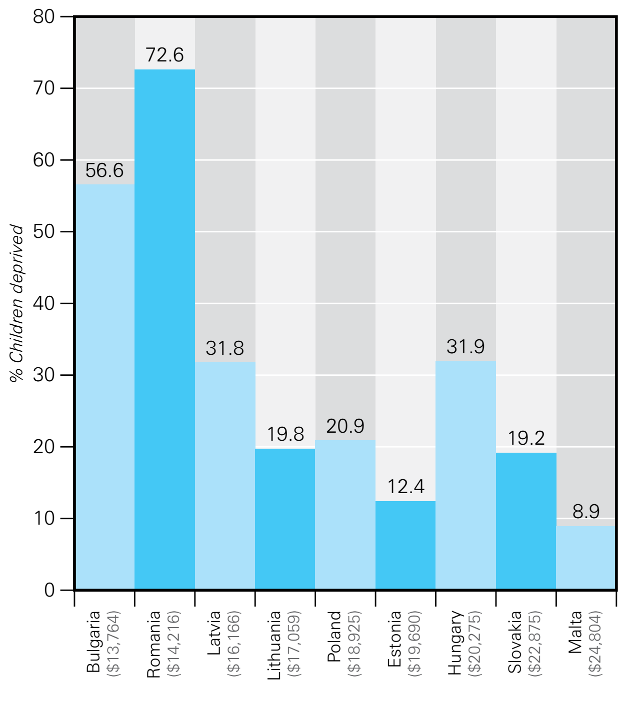
1. Three meals a day
2. At least one meal a day with meat, chicken or fish (or a vegetarian equivalent)
3. Fresh fruit and vegetables every day
4. Books suitable for the child's age and knowledge level (not including schoolbooks)
5. Outdoor leisure equipment (bicycle, roller-skates, etc.)
6. Regular leisure activities (swimming, playing an instrument, participating in youth organizations etc.)
7. Indoor games (at least one per child, including educational baby toys, building blocks, board games, computer games etc.)
8. Money to participate in school trips and events
9. A quiet place with enough room and light to do homework
10. An Internet connection
11. Some new clothes (i.e. not all second-hand)
12. Two pairs of properly fitting shoes (including at least one pair of all-weather shoes)
13. The opportunity, from time to time, to invite friends home to play and eat
14. The opportunity to celebrate special occasions such as birthdays, name days, religious events etc.

Overall, the league table shows that approximately 85% of the almost 85 million children (aged 1 to 16) in 29 European countries have at least 13 of the 14 items in the deprivation index and are therefore 'not deprived'.

The second most obvious feature of the table is that the highest rates of deprivation are to be found in some of the newest and poorest member countries of the European Union. Over 30% are seen to be deprived in Hungary and Latvia, over 50% in Bulgaria and over 70% in Romania. For Central and Eastern European countries, therefore, the league table of child deprivation makes grim reading.

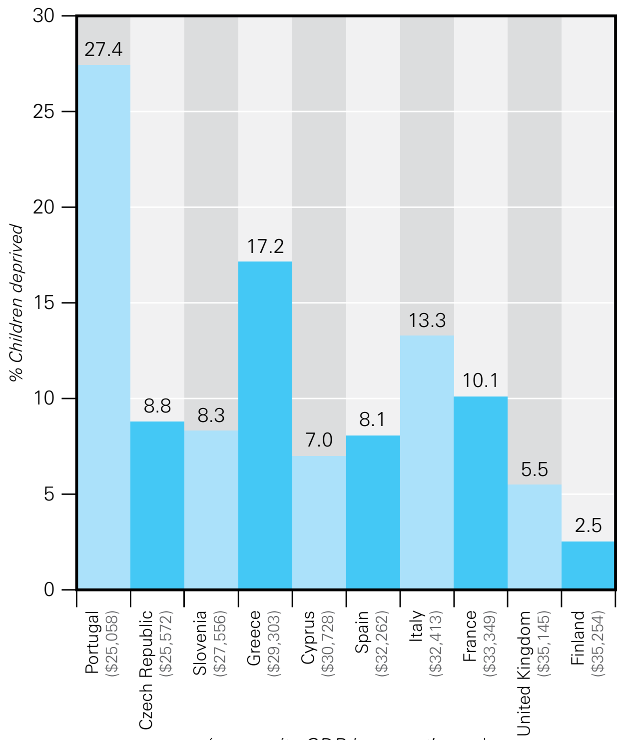
Among the richest 15 countries, all except France and Italy have child deprivation rates below 10%. But clearing a bar that is set so low does not warrant any great applause. In the world's wealthiest nations the proportion of children lacking two or more of these basic items should be at or close to zero. Yet in practice only Denmark, Finland, Iceland, the Netherlands, Norway and Sweden have

Fig. 2a Percentage of children deprived in countries with GDP per capita between $13,000 – $25,000 (PPP)



(per capita GDP in parentheses)

Fig. 2b Percentage of children deprived in countries with GDP per capita between $25,000 – $36,000 (PPP)



(per capita GDP in parentheses)

child deprivation rates below 3%. For Austria, Belgium and Germany, the rate climbs to 8% or more. In France and Italy the rate rises above the 10% mark.

More with less

Looked at as a whole, the child deprivation table may therefore seem to present little more than a blurred reflection of each country's level of per capita income. But a closer look reveals that some countries are in fact achieving much more – and some much less – than their income levels would predict. Estonia, Hungary and Poland, for example, have roughly equivalent per capita incomes but widely varying rates of child deprivation (see Figure 2a). Portugal and the Czech Republic both have per capita incomes of about PPP $25,000, but Portugal's child deprivation level is three times higher (see Figure 2b). Belgium and Germany have similar per capita incomes to Denmark and Sweden – but child deprivation rates that are about three and seven times higher (see Figure 2c).

Relative poverty league

The second of the two league tables (Figure 1b) paints a very different picture of child poverty in the world's advanced economies.

It includes six OECD countries that do not participate in EU-SILC (Australia, Canada, Japan, New Zealand, Switzerland and the United States), and is based on the definition of relative poverty used by the OECD. Under this definition, a child is deemed to be living in relative poverty if he or she is growing up in a household where disposable income, when adjusted for family size and composition, is less than 50% of the median disposable household income for the country concerned.* By this standard, more than 15% of the 200 million children in the 35 countries listed in Figure 1b are seen to be living in relative poverty.

The top five positions in the league table are occupied by Iceland, Finland, Cyprus, the Netherlands and Norway (with Slovenia and Denmark close behind). All of these countries have relative child poverty rates below 7%. Another eight countries including two of the largest – Germany and France – have rates between 7% and 10%. A third group, including Australia, Canada, New Zealand and the United Kingdom, post rates of between 10% and 15%. A further six, including populous Italy and Spain, show rates of between 15% and 20%. In only two countries are more than 20% of children living in relative poverty – Romania and the United States.

Overall, the divide between the wealthy and not-so-wealthy nations is much less clear-cut. Hungary, Slovakia and Estonia, for example, are seen to have a smaller proportion of children living in relative poverty than the United Kingdom, Italy, Spain, or the United States. Clearly, this is not because a smaller proportion of their children are poor in an absolute sense; it is because the incomes of most poor households in these former centrally-planned economies do not fall as far behind the median level of income for the nation as a whole.

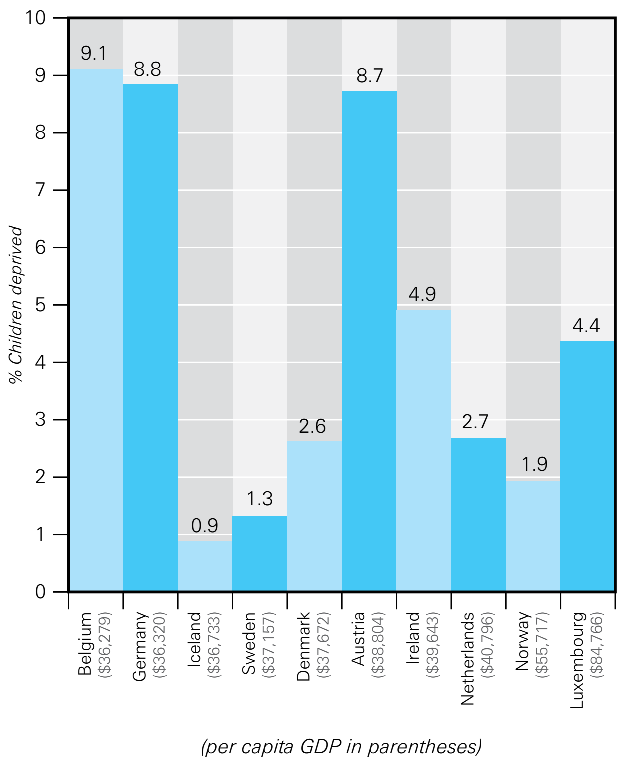
Finally, it is worth noting that – despite the very different measures of child poverty employed in these two league tables – seven countries are ranked in the top 10 in both – Cyprus, Denmark, Finland, Iceland, the Netherlands, Norway and Sweden.

Controversy

What are we to make of these two very different pictures of child poverty in the world's richest nations?

First, it is important to resist the temptation to see the two different views presented in Figures 1a and 1b as contradictory or mutually exclusive. Both are valid. Both can inform policy. And both make it clear that some countries are doing a much better job than others at protecting their children from poverty.

Fig. 2c Percentage of children deprived in countries with GDP per capita between $36,000 – $85,000 (PPP)



Note: Data refer to children aged 1 to 16.
Sources: Calculations based on EU-SILC 2009 for child deprivation and on World Development Indicators (2011) for GDP per capita, PPP (current international $).

* Most European Union countries draw the relative poverty line at 60% of national median income. For purposes of international comparison, the OECD (and this *Report Card* series) uses a relative poverty line drawn at 50% of median income.

The two measures are, however, profoundly different in concept.

The most important difference between them is that the child deprivation table uses a fixed measure for all 29 countries surveyed; the criterion applied (lacking two or more from the same list of 14 items) is exactly the same for Sweden or the United States as it is for Bulgaria or Romania. Inevitably, therefore, it puts the emphasis on the differences between richer and poorer countries. The criterion used to measure relative child poverty, by contrast, changes with the median income of each country; it therefore transfers the emphasis to the gap between the bottom and the middle in the living standards of children within each country.

It is because of this difference that the poorer countries in Figure 1a tend to have significantly higher rates of child deprivation but may or may not have higher rates of relative income poverty. For the same reason, the two different measures tend to respond to economic and policy changes in very different ways.[iv] In periods of sustained economic growth, for example, the proportion of a nation's children defined as 'deprived' will almost certainly fall as overall incomes rise. The proportion living in *relative* income poverty, on the other hand, may either rise or fall depending upon whether their household incomes grow by more or less than the median income for the nation concerned. To take a famous example, a decade of sustained economic growth in the Ireland of the 1990s more than doubled the nation's median income, but the proportion of children living in relative poverty also rose because the incomes of households below the poverty line rose more slowly than the median income for the country as a whole.

Such examples bring us to the heart of one of the principal controversies surrounding the measurement of child poverty.

'Real' poverty

It is often argued that relative poverty isn't 'real poverty'. Real poverty, it is said, means lacking basics – enough food to eat, adequate clothing, a dry home, an indoor toilet, hot water, and a bed to sleep in. Once you leave such basics behind and start drawing poverty lines based on statistical notions like median income, it is argued, you end up with results that fail to make intuitive sense and so fail to convince either politicians or public. Can the child poverty rate really be said to be rising, for example, at a time when the incomes of the poor are also rising? And can there really be more children in poverty in the United Kingdom or the United States than in Hungary or Lithuania (as shown in Figure 1b)? Or are these findings just statistical artefacts produced by a definition of child poverty that is in effect based on a concern not with poverty but with inequality?

Such are the arguments that push many to reject the relative income measure and to embrace instead the direct measurement of deprivation. Does the child have three meals a day? A few books in the home? And a roof that doesn't leak? Isn't this a much more intuitive measure, and one that is more capable of winning public understanding and support?

Direct measures of outcomes like deprivation do have advantages over indirect or 'input' measures such as household income (see Box 2: The problem with incomes). But the trouble with the argument that deprivation measures 'real poverty', whereas relative income does not, is that the intuitively appealing idea on which it rests is that poverty should be measured in an absolute rather than a relative sense. And from here it is but a short step to the belief that the deprivation index presented in Figure 1a is an absolute measure whereas the median income method used for Figure 1b is 'only' a relative measure.

This is a mistake. Both are relative measures.

The deprivation index is based on the kind of possessions, services and opportunities that most people would consider normal for a child growing up in a wealthy country today. In other words, it is relative to both time and place. Twenty years ago, for example, such a list would not have included an Internet connection. Go back a little further in time and 'having at least one meal a day with meat, chicken or fish' would not have been regarded as normal. In fact the longer the historical view the more obvious it becomes that poverty is an essentially relative concept. Any poverty line intended to represent a minimum acceptable standard of living in the industrialized world today implies higher standards of food, clothing, housing, water supply, sanitation, health care, education, transport and entertainment than were available to even the wealthiest households of previous eras.

The whole idea of defining child poverty in an absolute sense therefore rests on shaky ground. Unless we wish to argue that the threshold should be set at the minimum income necessary for sheer physical survival then there can in fact be no such thing as an absolute poverty line.

The real debate, therefore, is not whether poverty lines should be absolute or relative, but how and how often they should be updated to reflect changes in the living standards of society as a whole. If the decision is taken, for example, to draw an 'absolute' poverty line at some fixed point and to update it only for inflation, then this means that a relative poverty line is being anchored to an arbitrary point in time. As the years pass and incomes rise, such a poverty line is likely to fall further and further behind the norm for the society and to become less and less useful. This is essentially what has happened over the

Box 2 The problem with incomes

Relative child poverty rates are usually estimated by assuming that household income is a reasonable guide to the material resources available to the child. But this assumption is beset by problems.[1]

Among the concerns:

- Data on incomes may not be reliable, especially if derived from surveys, or if a significant proportion of the working population is self-employed or employed in informal work. Under-reporting of earnings varies from country to country, and tends to be greater towards the bottom end of the income scale.
- Most countries measure household incomes *before* housing costs. In practice, a family's capacity to meet children's needs is more likely to be dependent on income *after* housing costs (which can vary significantly within as well as between countries).
- Income does not always reflect the real level of resources available. A family's economic capacity, its security and spending power, are based not only on household income at a single point in time but also on savings and debts, on home ownership and house values, on previous earnings and future expectations, on the help that may be available from other family members, and perhaps on the value of home-produced goods such as food and clothes.
- When used to compare child poverty in different countries, income measures cannot take into account the fact that services such as health care and child care may be subsidised or free in some countries but not in others. This may make a substantial difference to real 'disposable household income'.
- Similarly, whether or not education, and particularly pre-school education, is free or subsidised may make a substantial difference to disposable incomes. In most advanced economies, primary and secondary education is usually available free of charge. But early childhood education is subsidised to different degrees in different countries. The same is true of tertiary or college education, which may mean that parents in some countries must try to put aside significant sums even when their children are still young. Both of these factors affect real disposable incomes to different degrees in different countries.
- Income measures cannot reflect the fluctuations in income experienced by many households (for example as a result of overtime, bonuses, working shorter hours, becoming unemployed, or taking retirement).
- Calculating a poverty rate from household income data requires that some method be used to convert household income into equivalent individual incomes (see Box 3: Do children have incomes?). To achieve this, an 'equivalence scale' must be used. But such scales are not based on any scientific understanding of the different patterns of need in households of different size.
- Household income measures cannot reflect the fact that some families may be much more competent than others in managing income or in prioritizing spending (for example by putting children's needs first). The child of a high-income household, for example, will not be counted as poor even if most of the income is spent on drugs, gambling or alcohol; conversely a child in a low-income household will be counted as poor even if the parents make enormous sacrifices to ensure that the child has the same advantages and opportunities as his or her peers.

Some or all of these problems combine to introduce doubts about household incomes as a measure of the real resources available to the child. And they help to explain why surveys have sometimes found that measures of household spending do not correspond to measures of household incomes. At any given level of household income, for example, material living standards tend to vary substantially according to whether they are assessed by incomes or by expenditures.[2] In most advanced economies, household incomes are easier to monitor than expenditures. But expenditure measures would in most cases provide a more reliable guide to the real level of resources available to the household.

1 See for example, Fusco, A., A-C. Guio and E. Marlier (2010). 'Income Poverty and Deprivation in European Countries', *Eurostat Methodologies and Working Papers*, European Commission, Luxembourg.

2 Bradshaw, J. and N. Finch (2003). 'Overlaps in Dimensions of Poverty'. *Journal of Social Policy*, 32 (4): 513-525.

last half century in the United States (see Box 10: The United States: redrawing the line).

The obvious alternative is to update national poverty lines in such a way as to track the norms and living standards of the society. But how often, and by what method? Should the line be updated irregularly in an ad hoc way, subject to political pressures and the competing influences of different interest groups? Or should it be updated in a regular and systematic way in order to preserve its relationship with contemporary living standards? In which case, setting the poverty line at a percentage of each nation's median income and updating it every year might, after all, be a strong contender.

This is why the *Innocenti Report Card* series, in common with both the European Union and the OECD, continues to use a child poverty line based on a percentage of median household income.

Why, then, is it necessary to complicate the picture by adding a second measure? Why introduce the Child Deprivation Index?

Relative weakness

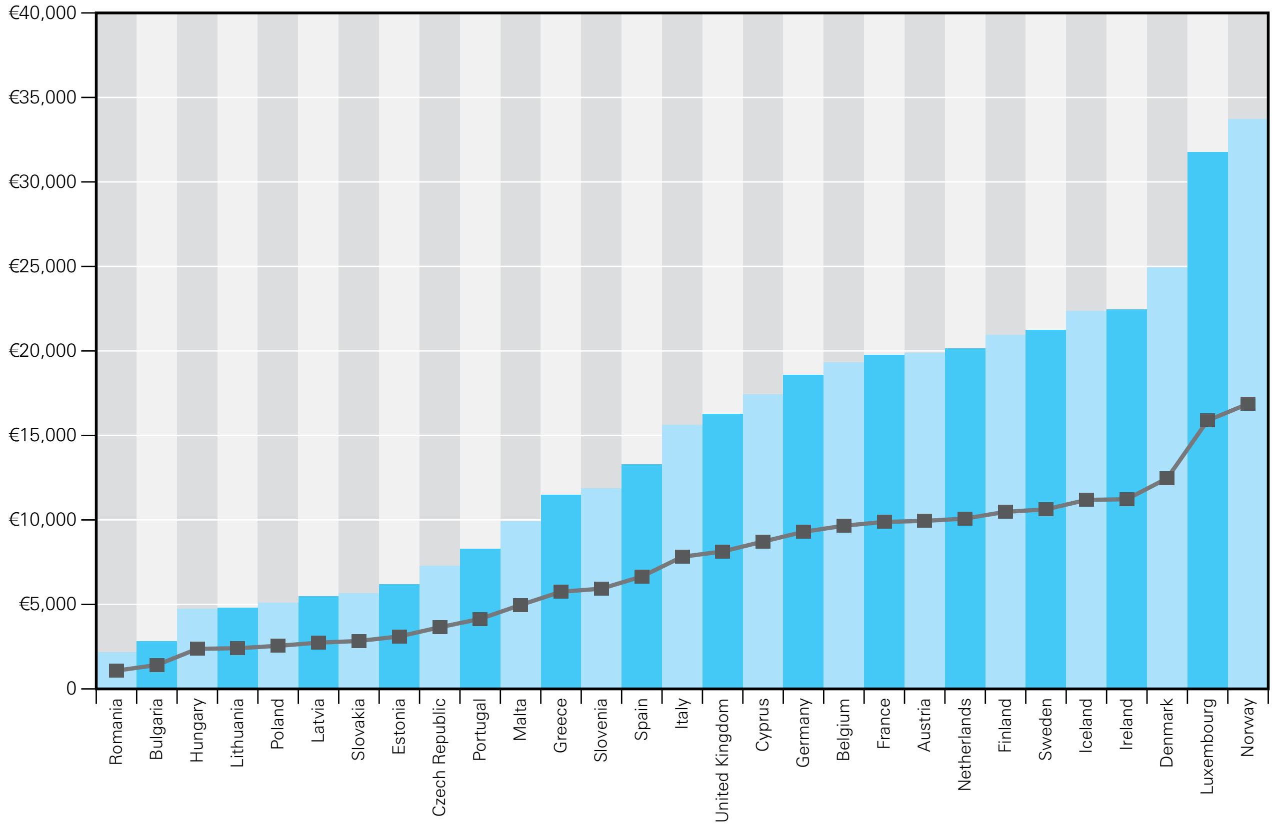
The answer is that, for all its strengths, the relative income measure has two principal weaknesses.

First, even those who support the principle of measuring child poverty in a relative way would concede that household income may not always be a reliable proxy for the real resources available to the child (see Box 2: The problem with incomes). It is, at best, an indirect measure, leaving open the possibility that children may be deprived in households that are not income-poor and not deprived in households that are income-poor.

Second, when comparing relative child poverty rates in different countries, a poverty line drawn at a percentage of median income only works well if the countries being compared have broadly similar levels of income and living costs. Otherwise 'relative poverty' comes to mean very different living standards in different countries: a household with 50% of median income in Bulgaria has an actual income of €1,400 a year; a household with 50% of median income in Norway has an income of €17,000 a year.

One may argue that this doesn't really make any difference – that relative poverty means 'relative to one's own particular society' and not to the norms of some other country. But this argument is only fully convincing for the wealthier countries of the OECD where living on an income below 50% of the median is a plausible measure of what it is intended to measure – the sense of falling so far behind the norms of one's society as to be at risk of social exclusion

Fig. 3 Poverty lines and median incomes, European countries



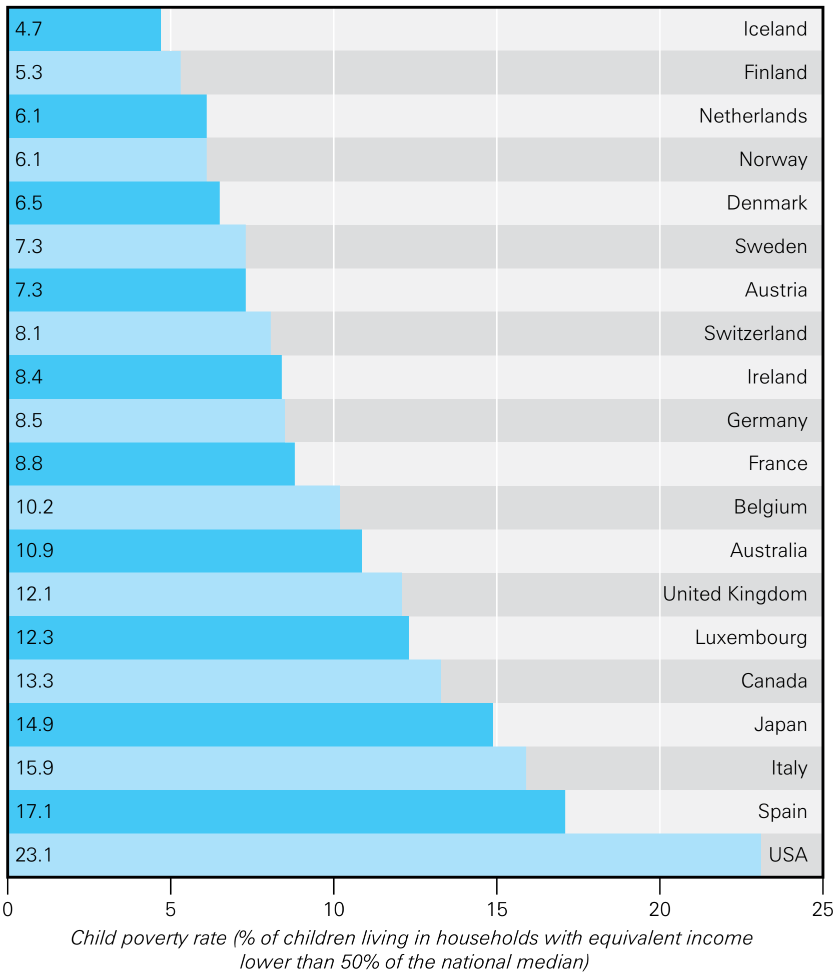
Note: Income figures for non Euro-zone countries are converted using purchasing power parity (PPP) exchange rates.
Sources: Elaboration of 2009 *European Union Statistics on Income and Living Conditions* data and Eurostat.

(see Box 8: The public view). Life at 50% of median income in poorer countries like Bulgaria and Romania may not signify the same level of difference, or imply the same degree of social exclusion, as it does in Denmark or Norway. That said, it should also be noted that at very low levels of income even small differences can make a significant difference to opportunities and living standards.

Since the enlargement of the European Union to 25 countries in 2004 and then to 27 countries in 2007, this problem of 'the meaning of the median' has become more pressing. Cross-national comparisons in the European Union must now span a group of countries whose annual per capita incomes range from less than $14,000 to around $85,000. A relative income poverty line based on 50% of median incomes will inevitably struggle to reflect this new diversity.

Figure 3 illustrates the problem. This shows, for example, that the 10 richest countries have *poverty lines* that are higher than the *median incomes* of the 10 poorest countries. This means that children who are below the relative poverty line in France or Germany may be significantly better off in actual living standards than children who are living at the median income level in Poland or Portugal.[v] Or to take another example, a child living at the relative poverty line in the Netherlands has double the income of a child living at the median income level in a country like Hungary (Figure 3).

Fig. 4 A league table of relative child poverty, selected OECD countries



Note: Data refer to children aged 0 to 17.
Sources: Calculations based on EU-SILC 2009, HILDA 2009, SLID 2009, SHP 2009, PSID 2007. Results for Japan are from Cabinet Office, Gender Equality Bureau (2011).

Finally there is the worry that comparing relative child poverty rates on the basis of household incomes cannot take into account significant differences between countries in the cost of living and especially in the costs of essential goods and services such as health and child care. An income of $30,000 in country A, where such services are free or heavily subsidized, may imply a very different standard of living from the same income in country B where such items must be paid for at market rates.

In sum, a relative poverty line drawn at 50% of median income is an attempt to define a concept of poverty on which there is widespread agreement in principle – a concept which says that the poor are those who do not have access to the possessions, amenities, activities and opportunities that are considered normal by most people in the society in which they live (see Boxes 6, 8 and 9). But when using this yardstick to make comparisons between countries, it is probably better to restrict the comparison to those generally wealthier countries where living on incomes below 50% of median implies a similar level of risk of social exclusion. Figure 4, for example, restricts the comparison of relative child poverty rates to the 20 OECD countries with annual per capita incomes of more than $31,000.

Deprivation doubts

These concerns and problems have led to increasing pressure for the relative income measure to be supplemented by a more direct measure of child poverty.

Within individual economically advanced countries, direct measures of child deprivation are sometimes available. They have been deployed, for example, in Finland, Germany, Greece, Ireland, the Netherlands, Sweden, and the United Kingdom.[vi] Internationally, the *Child Deprivation Index* presented in Figure 1a is the first attempt to meet this need. As already noted, it is made

possible by the decision of the European Union to include a special section about children's lives in the EU-SILC survey (see Box 7: The European Union: 2020 vision).

At first glance, this alternative sounds quite straightforward: draw up a list of items that most people think of as necessary for a child and conduct a survey to find out what proportion of the child population of each country lacks each of the items.

In practice, this too has its problems.

First, deprivation statistics gleaned from surveys may also be unreliable. What people consider to be necessary for their children, for example, may vary with income and aspiration. Presented with a list of items which corresponds to one's own family possessions, it is likely that most items will be judged as 'necessary'. A list that includes items that are not affordable, on the other hand, may attract fewer ticks in the 'necessary' box. The tendency for what is considered normal to increase with incomes, and to decrease with persistent poverty, has often been observed. And it is not difficult to see how this might affect the results of surveys about child deprivation. Parents in poor households may decide that certain items are unnecessary because they are embarrassed or ashamed to admit that they are unable to provide them.[vii] The published survey results may have the appearance of objective data, but behind every statistic of child deprivation is an individual parent answering a survey question about whether or not they can afford to allow their child 'to participate in school trips and events', or 'to invite friends home to play and eat', or 'to have a quiet place with enough room and light to do homework'.

Then there is the problem of what items should be included in a deprivation index and what importance should be attached to each. How do we know that the list reflects a minimum acceptable standard of living for a given group of countries at a given time? And who should decide? Should the items be chosen by experts? Or by opinion polls to find out which items are regarded as necessary by the population at large? Or should they be selected (and weighted) by investigating what percentage of the population already possesses the items? Giving no 'weighting' to the individual items is not a neutral approach – it is a judgement that all the items on the list are of equal importance and that this is true for all of the countries being compared.

Further, there is the problem of the different needs of different age groups. A personal computer, for example, was originally included in a list of necessities proposed by the European Union but subsequently dropped when it was shown that only 30% of the population considered a computer to be 'absolutely necessary' or 'necessary'.[viii] If the poll had been conducted among young people, as opposed to the population as a whole, it is reasonable to suppose that a much higher proportion would have categorized a computer as a necessity.

Fig. 5 Child poverty rates by different relative poverty lines

Country	poverty line at 50%	poverty line at 40%	poverty line at 60%
Iceland	4.7	1.9	10.1
Finland	5.3	1.5	11.9
Cyprus	6.1	1.8	12.1
Netherlands	6.1	2.9	15.4
Norway	6.1	3.1	11.3
Slovenia	6.3	2.9	11.1
Denmark	6.5	3.6	11.4
Sweden	7.3	3.7	12.7
Austria	7.3	3.2	13.6
Czech Republic	7.4	3.8	13.0
Switzerland	8.1	3.2	17.9
Ireland	8.4	3.5	18.9
Germany	8.5	4.6	14.9
France	8.8	3.7	16.8
Malta	8.9	2.9	20.3
Belgium	10.2	4.1	16.6
Hungary	10.3	3.0	20.6
Australia	10.9	4.3	17.6
Slovakia	11.2	6.6	17.0
New Zealand	11.7		19.4
Estonia	11.9	6.1	20.6
United Kingdom	12.1	5.6	20.8
Luxembourg	12.3	4.2	22.4
Canada	13.3	7.3	21.9
Poland	14.5	7.5	22.9
Portugal	14.7	9.6	22.7
Japan	14.9	9.6	20.5
Lithuania	15.4	8.8	24.3
Italy	15.9	9.7	24.2
Greece	16.0	8.1	23.5
Spain	17.1	11.5	23.6
Bulgaria	17.8	12.2	24.4
Latvia	18.8	12.8	25.0
USA	23.1	16.6	31.1
Romania	25.5	17.8	32.3

Note: The shading in the last three columns indicates whether a country ranks in the top third (light blue), middle third (mid-blue), or bottom third (dark blue) of the relevant league table.

Sources: Calculations based on EU-SILC 2009, HILDA 2009, SLID 2009, SHP 2009, PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010. Results for Japan are from Cabinet Office, Gender Equality Bureau (2011).

Choosing a threshold

Finally, in this summary of the strengths and weaknesses of the different measures used in the two league tables of child poverty, it should be noted that there are problems common to both.

First, both the child deprivation measure and the relative income measure must confront the question of where and how the threshold should be drawn.

In the case of relative income poverty, for example, should the line be drawn at 60% of median household income (as in the European Union) or at 50% (as used by the OECD for purposes of international comparison)? By way of reassurance, Figure 5 shows that there is little change to the relative child poverty rankings when the line is drawn at different percentages of median income. (It should also be borne in mind that in practice there may be little difference between life just below and just above whichever poverty threshold is chosen.)

In the case of the deprivation measure, should the threshold be set at 'lacking two or more' of the 14 items in the deprivation index? Or at 'three or more' or 'four or more'? For the league table of child deprivation in this report (Figure 1a), the line is drawn at 'lacking two or more'. But this decision is essentially opportunistic: drawing the line at 'lacking one or more' would have given arbitrary emphasis to just one item on the list. It would also have produced extremely high child deprivation rates for the poorest EU countries. Setting the line at 'lacking three or more', on the other hand, would have produced extremely low deprivation rates for the wealthier countries.

Fig. 6 Proportion of children in each country lacking 2, 3, 4 and 5 items or more on the deprivation index

Country	2+	3+	4+	5+
29 European countries	13.3	9.8	7.4	5.8
Austria	8.7	5.3	3.7	2.4
Belgium	9.1	6.6	4.7	3.1
Bulgaria	56.6	49.2	41.1	36.3
Cyprus	7.0	5.0	3.8	2.1
Czech Republic	8.8	6.1	4.7	3.1
Denmark	2.6	1.5	1.2	0.7
Estonia	12.4	7.7	4.5	3.3
Finland	2.5	0.6	0.2	0.0
France	10.1	6.5	3.9	2.6
Germany	8.8	6.2	3.9	2.8
Greece	17.2	11.7	8.4	6.1
Hungary	31.9	25.1	20.6	16.7
Iceland	0.9	0.3	0.0	0.0
Ireland	4.9	2.5	1.4	0.6
Italy	13.3	10.3	8.3	6.2
Latvia	31.8	25.2	20.7	15.9
Lithuania	19.8	13.8	11.6	10.4
Luxembourg	4.4	3.1	1.7	1.3
Malta	8.9	5.4	3.5	2.5
Netherlands	2.7	1.2	0.6	0.4
Norway	1.9	0.7	0.3	0.1
Poland	20.9	15.3	10.8	8.5
Portugal	27.4	23.0	17.8	13.8
Romania	72.6	62.0	53.8	46.8
Slovakia	19.2	15.2	12.1	10.3
Slovenia	8.3	4.4	2.6	1.5
Spain	8.1	5.3	3.2	2.1
Sweden	1.3	0.7	0.4	0.0
United Kingdom	5.5	2.8	1.7	1.3

Note: Data refer to children aged 1 to 16.
Source: Calculations based on EU-SILC 2009.

Secondly, both the deprivation measure and the relative income league table tell us what proportion of each nation's children fall below the selected thresholds, but they tell us nothing about *how far below*.

In the case of the deprivation measure, the question of 'how far below' can in part be answered by setting a lower threshold for the Child Deprivation Index. Figure 6, for example, shows the proportion of children in each country who lack 2, 3, 4 and 5 or more of the 14 items.

In the case of the relative child poverty measure, the question 'how *far* are those below the poverty line allowed to fall?' finds an approximate answer in Figure 7 which compares 35 countries by the depth of their poverty gaps – the difference between the median income of households below the poverty line and the poverty line itself. The findings of this table will be considered under the heading *Assessing government performance* (p.19).

Overlaps

Given the strengths and weaknesses of these two very different ways of measuring and comparing child poverty, there is an obvious temptation to combine them in some way in order to construct a single overarching measure which would have the strengths of both and the

weaknesses of neither. It has been suggested, for example, that a single measure of child poverty might be constructed by counting as poor only those children who are poor under both definitions – i.e. those who lack two or more of the items on the deprivation index and who live in households where incomes are less than 50% of the national median. But this would be to ignore the underlying incompatibility – the fact that the deprivation measure is based on a definition which does not vary across countries, whereas the relative income poverty measure is based on a definition which changes from nation to nation. To make the two measures conceptually compatible, it would be necessary to adjust the deprivation index so that both the list of items it contains and the threshold chosen would reflect a standard of living that is considered normal or necessary *in each individual country*. This could be done, either by surveys to establish what proportion of the population considers which items to be 'necessary' (consensus weighting) or by weighting each item according to what proportion of households in each country already own or have access to each item (prevalence weighting). But this procedure would raise more problems than it solves while at the same time jettisoning the simplicity and the intuitive appeal of the deprivation index.

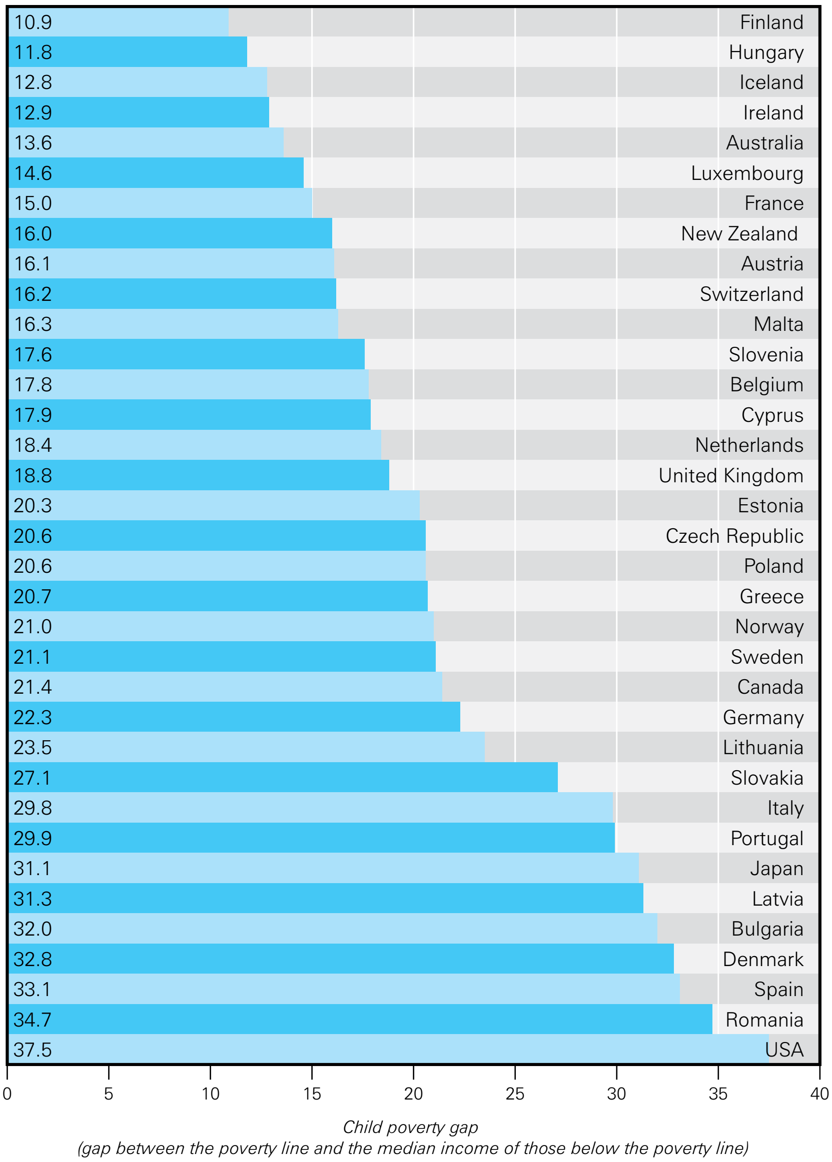
When used for international comparison the two measures are therefore separate in concept and should remain so in practice. Both the child deprivation rate and the relative child poverty rate are useful to policymakers, to social scientists, to the media, and to advocates for child well-being. Combining them into a common measure would be like combining oil and water, in that the whole would be less useful than the sum of the parts.

Within individual countries, on the other hand, it may be useful to combine the two measures by focusing on the overlap between them – asking what percentage of a nation's children are both deprived *and* living in relative income poverty. This approach, currently used for example in Austria, Ireland and the United Kingdom, helps to ease some of the worries surrounding the measurement of poverty by means of household incomes. As Professors Brian Nolan and Christopher Whelan, contributors to the development of Ireland's official poverty measure, have written:

"Given two relevant pieces of information about the household – income and deprivation – each with limitations from both conceptual and measurement perspectives, incorporating both into the measurement process is one way to seek to improve reliability in identifying the poor."[ix]

In practice, household income remains a principal determinant of whether or not the needs of children are adequately met. But it is not the only determinant. Public spending can also

Fig. 7 The poverty gap



Notes: The poverty gap is the distance between the poverty line and the median income of those below the poverty line (expressed as a percentage of the poverty line). Calculations are based on a poverty line set at 50% of the national median income. Countries are ranked by increasing levels of the child poverty gap.

Sources: Calculations based on EU-SILC 2009, HILDA 2009, SLID 2009, SHP 2009, PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010. Results for Japan are from Cabinet Office, Gender Equality Bureau (2011).

help parents to meet children's needs. And for this reason it is not axiomatic that falling household income must always mean rising levels of child deprivation. The governments that are most successful in protecting children from poverty are likely to be those that strive to reduce the number of low-income households *and* help to provide essential goods, services and opportunities for children growing up in such households. This strategy makes it possible to offer a significant degree of protection to children even in times of economic crisis. And it also illustrates the usefulness of deploying both a relative income measure and a direct measurement of deprivation in the struggle to monitor and mitigate the impact of economic forces on the lives of children.

How should it be done?

How, then, is child poverty best measured, monitored, and compared?

In previous *Report Cards*, some basic principles for the cross-national monitoring of child poverty have been proposed. They are summarized and updated here.

1. Continue to monitor relative child poverty based on national median incomes

Median income is *"a strong indicator of what is considered normal in contemporary society."*[x] It should therefore continue to be used as a basis for identifying those at risk of social exclusion (see Boxes 4 and 6).

Most countries have data on incomes, and these data can be used both to compare countries and to monitor changes over time. Tracking the incomes of those at the bottom end of the distribution in relation to the incomes of those at the median shows how the benefits of economic progress or the pain of economic recession are being distributed. It is not a measure of overall inequality in the society; it is a measure of how the poorest are faring in relation to those in the middle.

The argument that the use of this relative poverty measure may mislead the public because it inevitably carries with it a suggestion of 'absolute poverty' is a genuine concern. But this is a problem not so much in the concept as in its communication. It can and should be addressed by sticking strictly to the term 'relative child poverty' when that is what is meant. To say that 'child poverty levels' are higher in the United States than in the Czech Republic is to invite public misunderstanding and rejection. To say that '*relative* child poverty levels' are higher risks no such misunderstanding; there is nothing either misleading or meaningless about the statement that a greater proportion of children are allowed to fall significantly below the norms of their societies in the United States than in the Czech Republic.

When presented for what it is – an approximate measure not of absolute poverty but of falling so far behind the

Box 3 Do children have incomes?

Most poverty lines are based on household incomes. But to calculate how many individuals live below the poverty line, household incomes must be converted to equivalent individual incomes (including 'incomes' for children).

This cannot be done by simply dividing household income by the number of people in the household. It may not be true that 'two can live as cheaply as one', but the amount required to maintain a given standard of living does not rise in direct proportion to the number of people in the home. The cost of heating, or a television or an Internet connection, for example, does not double if there are four people rather than two. Many such economies of scale – including being able to buy food or cleaning materials in bigger quantities – are available to larger households.

Unfortunately there is no scientific way of converting household income into individual incomes. Rough and ready methods must therefore be used, of which the most common is the '*modified OECD equivalence scale*' by which the first adult in each household is counted as 1.0, the second adult as 0.5, and each child under the age of 14 as 0.3. The total then becomes the number of 'equivalent individuals' by which household income must be divided. For example, a household with an income of $46,000 for two adults, one 15-year-old, and one pre-school child would be counted as having the equivalent of 2.3 individuals and their 'equivalized' individual incomes would be $20,000. It is this figure that is used to establish the median income for the nation as a whole (the point at which exactly half have more and half have less – see Box 4: The median is the message). The relative poverty line is then drawn at a certain percentage of that median. In the European Union, the line is drawn at 60% of *equivalized* median income.

The number of children estimated to be living in poverty is then calculated as the number of individual children living in households in which the equivalized income is below this line.

normal standard of living in the society as to be excluded from the advantages and opportunities that the majority take for granted – the idea of relative child poverty *does* make intuitive sense.

2. Measure deprivation directly

Child poverty also needs to be monitored by direct measurement of deprivation. The proportion of children who lack an adequate diet, or a quiet place to do homework, or suitable books and an Internet connection, is the kind of measure that allows actual living standards to be compared across nations. It makes immediate sense to a wide public and contributes towards a more rounded understanding of child poverty. And in so doing, it also helps to define and defend the simultaneous use of the relative child poverty rate.[xi]

The special module on child deprivation, included as a one-off experiment in the latest round of EU-SILC, should therefore be developed into a regular and permanent feature of future surveys.

3. Measure depth and duration

As already noted, it is also important to measure *how far* below the poverty line the poor are being allowed to fall. For this purpose, the median income of those below the poverty line, as a percentage of the poverty line itself, is a useful measure. Figure 7 has presented this calculation for 35 advanced economies in the form of a 'poverty gap' league table.

Ideally, the monitoring of child poverty would include its timing and duration as well as its breadth and depth. The earlier the privation and the longer its duration, the greater the potential impact on the child. This is true both because of the inherent vulnerability of the earliest years of life and because the longer a family stays poor the harder it may become to maintain essential expenditures (as savings and assets run down, for example, or as borrowing and other sources of help reach their limits).

In other words, child poverty should

Box 4 The median is the message

The words 'average' and 'median' can still cause confusion in public discourse and even in policy-making. The difference between the two is illustrated in the diagram below.

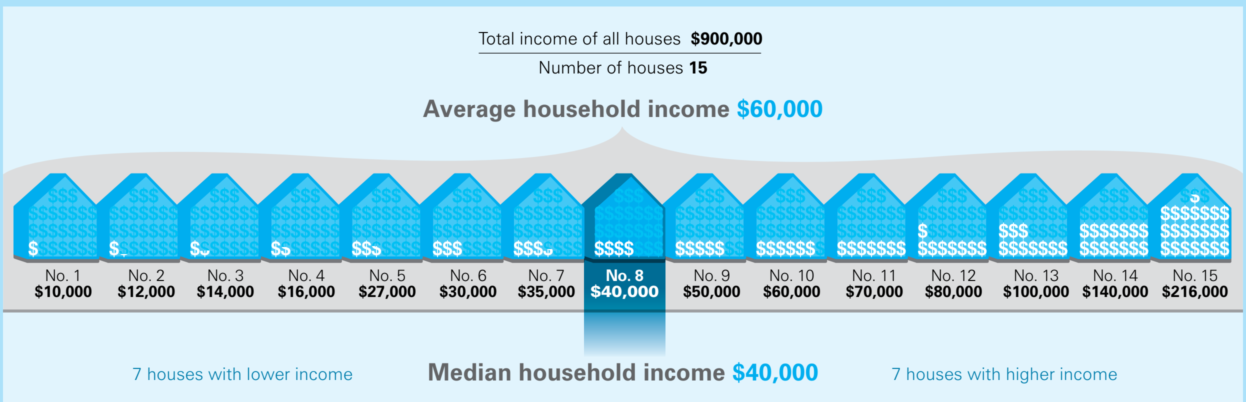
Imagine a street with a single row of houses numbered 1 to 15. The household with the lowest income in the street lives at number 1, the second poorest household lives at number 2, and so on up to the richest household in number 15.

The average household income is calculated by dividing the total income of the street by the total number of households. In the example given here, this comes to $60,000.

The median household income is the income of the household in the middle of the income scale – the point at which half of the households have more and half have less. In this example, the median income is $40,000 (the income of house No. 8).

As the example shows, there can be significant differences between the average and the median.

The two also respond to change in different ways. Imagine, for example, that the two richest people in the street, living in houses Nos. 14 and 15, were to move out and be replaced by Bill Gates and Warren Buffett. In this event, the average household income of the street would rise to several billion dollars. But the median



be monitored in three dimensions – asking not only *how many* children fall below national poverty lines but *how far* and for *how long*.

4. Maintain a close monitoring system

Most governments of economically advanced countries are committed in principle to the monitoring of child poverty and social exclusion. But it must be said that collecting and making available the necessary data every few years is not monitoring. It cannot adequately inform policy or alert governments, the media, the public, the children's organizations, or the academic community to the problems being faced by children whose years of growth and development are happening *now*.

All OECD countries have the capacity to track key economic indicators – growth, inflation, unemployment, trade balances – on a quarterly basis. It is therefore unacceptable that basic information on what is happening to children's lives should be so out of date. Key data on basic aspects of child poverty and child well-being should be made available not every four years but every year.

5. Set time-bound targets and build support

Report Card 6 (2005) recommended that all OECD countries should aim to reduce relative child poverty rates to below 10%. Countries that had already achieved this were challenged to emulate the Nordic countries by reducing the rate still further – to 5% or less. Since that time, relative child poverty rates have risen in almost every OECD country* (an increase that does not as yet reflect the impact of the post-2008 economic downturn). As Figure 1b shows, only Iceland now achieves a relative child poverty rate of less than 5%, though Finland remains close at 5.3%. The latest nationally available data suggest that Iceland, too, has allowed its relative child poverty rate to drift above the 5% mark.

This upward trend in relative child poverty rates over recent years is in

income would stay the same: the middle house in the income distribution would still be No. 8, and its income would still be $40,000.

For the same reason, it is quite possible to increase the incomes of all the houses with incomes above the median (Nos. 9 to 15) without affecting the median income of the street as a whole.

It is sometimes said that relative poverty, defined as the percentage of households below a certain percentage of median income, can never be abolished because the target is always moving. As incomes rise, the poverty line also rises, and so 'the poor will always be with us'.

But this is not the case. In the above example, those living in houses 1, 2, 3 and 4 are below the poverty line because their household incomes are below 50% of the median for the street as a whole. But if the incomes of those households were to rise to $20,000 then there would be no houses with incomes below 50% of median. Relative poverty would have been abolished. And the median itself would not have changed.

Illustrating the normal

This distinction between average and median can sometimes be critical. For example, the argument over whether pay is generally higher in the public or private sector may well depend on whether the average or the median is used when making the comparison. If the average is chosen, then pay in the private sector may well be higher – because the average can be substantially increased by a small number of people with very high earnings (the equivalent of Gates and Buffet moving into the street). If the median is selected, on the other hand, then pay in the public sector may be higher – because the median level of pay in the private sector is not increased by the incomes of those at the very top of the income distribution.

Many economists now argue that it is the median, rather than average, that should be used to illustrate what is normal in a given society. Nobel prize-winning economist Joseph Stiglitz, for example, points out that in the United States, "median and average behave differently…real median household income has actually dipped since 2000. But G.D.P. per capita has gone up."[1]

[1] Quoted in 'The Rise and Fall of the G.D.P.' by Jon Gertner, New York Times, 13 May 2010.

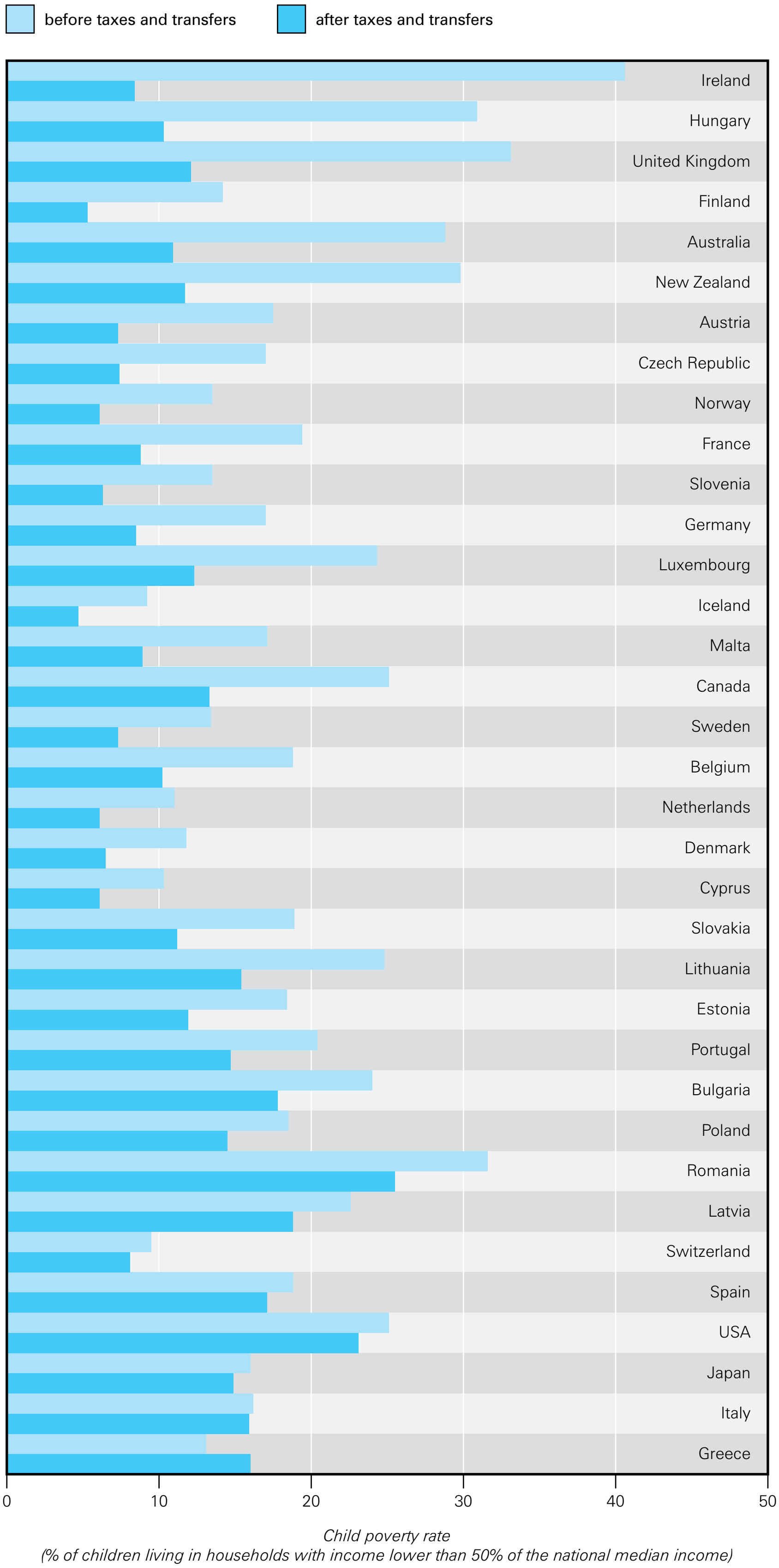
* The relative child poverty rates published in *Report Card 6* are not strictly comparable with the rates given in *Report Card 10* (See Figure 1b and Box 3: Do children have incomes?)

large part the result of global economic trends. But that does not mean that it is inevitable. It is within the power of every government in the OECD to set realistic targets for reducing relative child poverty and to put in place the policies and the monitoring systems required to meet those targets.[xii] Figure 1b shows that a realistic target for the countries with relative child poverty rates below 10% would be to renew the struggle to reduce the rate to 5% or lower. Similarly, the 12 countries with rates between 10% and 15% should aim at lowering relative child poverty below 10%. The 8 countries currently with rates of 15% to 25% have the capacity to bring the rate below the 15% level as an essential first step.

Announcing such targets is of course not enough. It is now more than 20 years, for example, since the Government of Canada announced that it would *"seek to eliminate child poverty by the year 2000."* Yet Canada's child poverty rate is higher today than when that target was first announced.[xiii] In part this is because the commitment was not backed by a compelling political and public consensus or by any firm agreement on how child poverty should be defined and monitored. Targets can only be a first step.

In the past, the European Commission has done much to help EU countries to develop common indicators for the measurement of child poverty and to develop plans for its reduction (see Box 7: The European Union: 2020 vision). But since the economic crisis began, child poverty appears to have slipped down the Commission's agenda. Children barely feature, for example, in the Europe 2020 strategy. In particular, the Commission appears reluctant to publish cross-national data on falling government expenditures for children and families. Later this year (2012), the Commission is due to make proposals to member states on child well-being. Those proposals should include targets for specific reductions in child poverty by the end of this decade.

Fig. 8 Relative child poverty rates before taxes and transfers (market income) and after taxes and transfers (disposable income)



Notes: For each country and for both income definitions, poverty calculations are based on a poverty line set at 50% of the national median disposable income. Countries are ordered by decreasing percentage of poverty reduction achieved. 'Taxes and transfers' takes into account all income taxes paid by households and all benefits that directly affect household incomes (i.e. not including in-kind or near-cash benefits).

Sources: Calculations based on EU-SILC 2009, HILDA 2009, SLID 2009, SHP 2009 and PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010. Results for Japan are from Cabinet Office, Gender Equality Bureau (2011).

Fig. 8a Child poverty rates before taxes and transfers (market income) and after taxes and transfers, selected countries



Sources: Calculations based on EU-SILC 2009, SLID 2009 and PSID 2007.

6. Avoid unnecessary complexity

The more complex the measure of child poverty, the less useful it is likely to be.

7. Measure well-being broadly

Child poverty is about more than income or the lack of items on a given list. Children can be poor in love and attention, in parental time and skills, in relationships and community, in public services and environmental quality. It is therefore also necessary to continue to develop ways of monitoring child well-being in the round.

It was for this reason that *Report Card 7* (2007) developed an initial measure of overall child well-being for OECD countries. Bringing together a total of 40 indicators for which internationally comparable data were available, the report compared child well-being across 21 OECD countries under the headings of material well-being, health and safety, education, peer and family relationships, risk behaviours, and young people's own subjective sense of well-being. This experiment will be refined and repeated with new data in the next issue in this series (*Report Card 11*).

8. Focus on disparity

In addition to monitoring average levels of child well-being, it is also important to focus specifically on the children left behind.

There will always be children who fall behind the average, whether in material circumstances or educational achievement. The critical question is 'how far behind?' Is there a point beyond which 'falling behind' is not unavoidable but unacceptable? This was the issue examined in *Report Card 9* (2010), which offered a practical guide by looking at the gaps – whether in material well-being, or in health or in educational achievement – between the children at the bottom and the children at the median point in each country. If, for example, the gap in educational achievement is significantly wider in country A than in country B, then this suggests that young people in country A are falling further behind than is necessary. Put positively, the varying child disparity records of countries at similar levels of economic development offer a real-world measure of the scope for improvement.

Assessing government performance

The extent and depth of child deprivation and relative child poverty in different countries is the result of a complex interaction between cultural and historical factors, demographic trends, labour market conditions, and global economic forces. But government policies and expenditures are also critical. *"Child poverty is not an inevitable result of global economic pressures or demographic transitions."* says Jonathan Bradshaw. *"Governments can and do take steps that are remarkably successful in counteracting child poverty."*[xiv]

It would therefore also be useful to have some measure of *how* successful.

The principal league tables of child poverty with which this report began provide one overview of the record of different governments in helping families to protect children from the sharpest edges of poverty. But the available data also allow more specific comparisons to be made.

Figure 8 presents one such comparison. Drawing on data from 35 advanced economies, it shows what the relative child poverty rate would be if governments did not intervene with taxes and transfers (light blue bar). It then compares this with the actual relative child poverty rate after all taxes are deducted and benefits paid (blue bar). The difference may be seen as one measure of the efforts and effectiveness of different governments in reducing relative child poverty.

Such a presentation is of course biased in favour of those countries with high initial rates of relative child poverty (the higher the starting level, the greater the scope for reduction). Nonetheless, it furnishes some striking

Box 5 Invisible children

Both measures of child poverty used in this report are based on household surveys or household income data. But some of the children and young people most at risk of poverty do not live in households; they live in institutions, in children's homes, in temporary accommodations, in hostels or hospitals, in prisons, in houses for refugees or asylum seekers, in mobile homes, or on the streets. It is also possible that some of the most at-risk children may be not represented in household surveys because they live in remote areas or in families and communities whose presence may be illegal and unregistered.

All of these 'non-mainstream' groups are likely to be statistically invisible.

A notable example are the 4.5 million Roma children who live in the European Union.

In 2005, 12 governments (6 of them members of the EU) committed to a 'Decade of Roma Inclusion'.

At the mid-point of the 'Decade', a report from the Open Society Foundations concluded that, "*The lack of data about Roma communities remains the biggest obstacle to constructing any thorough assessment of how governments are meeting their Decade commitments.*"[1]

The Czech Republic, Hungary, Slovakia and Spain, for example, have no data to track even such basic indicators as infant mortality rates and primary school completion rates for Roma children. "*Without comprehensive data to evaluate government efforts and guide policies,*" says the report, "*the situation…is likely to remain dire.*"[2]

1 McDonald, M. and K. Negrin (2010). 'No Data – No Progress: Country findings, data collection in countries participating in the Decade of Roma Inclusion 2005-2015', Open Society Foundations, Budapest. Available at: www.soros.org/initiatives/roma

2 Ibid.

Box 6 Relative agreement

The idea of defining poverty in a relative rather than an absolute sense is not new.

In the 18th century, Adam Smith famously argued that poverty is the inability to afford, "*not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without.*"[1] A century later, and from a different ideological perspective, Karl Marx found himself in agreement, "*Our needs and enjoyments spring from society; we measure them, therefore by society and not by the objects of their satisfaction. Because they are of a social nature, they are of a relative nature.*"[2]

In 20th-century America, the liberal economist J. K. Galbraith argued (1958) that, "*People are poverty-stricken when their income, even if adequate for survival, falls markedly behind that of their community.*"[3] In the early 1960s, the conservative Rose Friedman, also argued that the definition of poverty changes as general living standards change; people living at the end of the twentieth century who are labelled poor, she wrote, "*will have a higher standard of living than many labelled not poor today.*"[4] Republicans at the time endorsed the relative idea: "*No objective definition of poverty exists,*" said a Republican Congressional response in 1964: "*The definition varies from place to place and time to time. In America as our standard of living rises, so does our idea of what is substandard.*"[5]

By the early 1960s, sociologists and economists like Victor Fuchs in the United States and Peter Townsend in the United Kingdom were arguing that governments should recognise the essentially relative nature of poverty by setting national poverty lines at a fixed percentage of national median income (see Box 9: The poverty line: a short history).

Today, the most commonly used poverty definition in the developed world is a definition of *relative* poverty, and most OECD countries now calculate their headline poverty rates by the percentage of the population whose incomes fall below 50% or 60% of national median income.

1 Adam Smith, *An Enquiry into the Nature and Causes of the Wealth of Nations*, Book 5, Chapter 2, 1776.

2 Karl Marx, *Selected Works*, Volume 1, 268-269, Lawrence and Wishart, London, 1946.

3 Galbraith, J. K. (1958). *The Affluent Society*, Houghton Mifflin, Boston.

4 Friedman, R. D. (1965). 'Poverty: Definition and Perspective', American Enterprise Institute for Public Policy Research, Washington, D.C.

5 Minority [Republican] views, p. 46 in U.S. Congress, Report of the Joint Economic Committee on the January 1964 Economic Report of the President with Minority and Additional Views, US Government Printing Office, Washington, D.C., 1964.

comparisons. It shows for example, that Canada and the United States begin with the same level of relative child poverty (25.1%) but that after taxes and benefits the relative child poverty rate in Canada is almost halved whereas in the United States it remains almost unchanged (see Figure 8a).

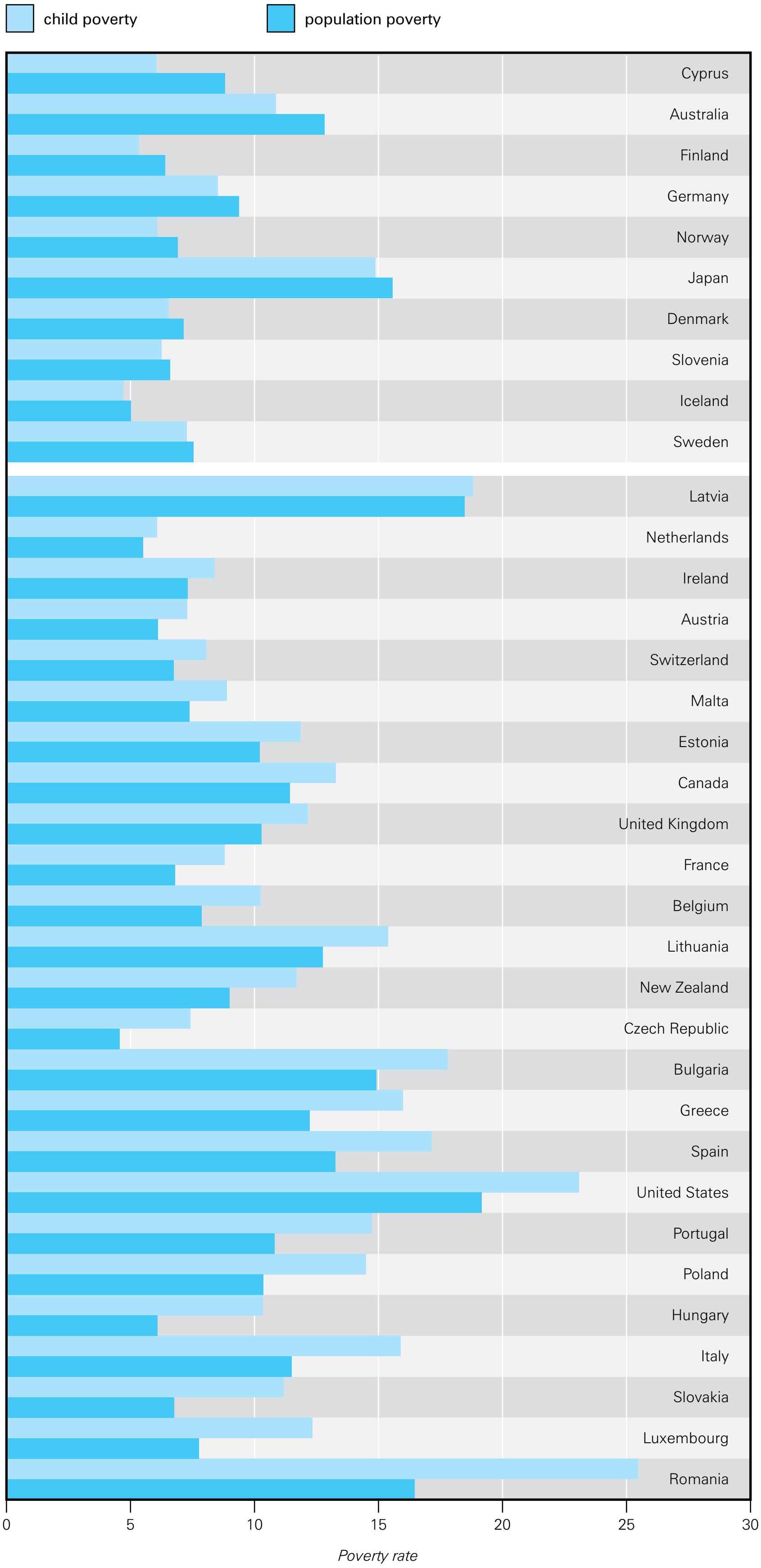
Within Western Europe, the table also shows up stark contrasts. Relative child poverty rates in France and Spain, for example, begin at very similar levels (19.4% and 18.8%, respectively) but in France the rate is more than halved by government intervention whereas in Spain very little difference is made (see Figure 8a). Similarly, Austria, the Czech Republic, Germany and Italy all begin with relative child poverty rates of 16% to 18%; but after taxes and benefits the relative child poverty rate is brought down by half or more in Austria, the Czech Republic and Germany whereas in Italy there is almost no reduction at all.

Falling how far?

Figure 9 offers a different view of the relative performance of governments. Its premise is that, in a society committed to providing special protection for children, the child poverty rate would be lower than the overall poverty rate. But judged by a relative poverty measure, Figure 9 shows that in only 10 of 35 countries – Cyprus, Australia, Finland, Germany, Norway, Japan, Denmark, Slovenia, Iceland and Sweden – is this the case.

Figure 7, showing the *depth* of relative child poverty that is tolerated in different countries, has already offered another kind of overview of government performance. Asking the question: 'On average, how far below the poverty line are the poor being allowed to fall?' the graph again reveals significant differences between countries. In Finland the small proportion of children (5%) in relative poverty are living in households whose incomes fall, on average, about 11% below the relative poverty line. In the United States, the much greater proportion of children (23%) living below the relative poverty line are seen

Fig. 9 Child poverty rate and overall poverty rate



Notes: For each country, poverty calculations are based on a poverty line set at 50% of the national median income. Countries are ordered by increasing gap between child poverty and overall population poverty (the first ten countries are those where children are not relatively disadvantaged compared to the overall population in terms of poverty; at the bottom are the countries where poverty is particularly concentrated among children).

Sources: Calculations based on EU-SILC 2009, HILDA 2009, SLID 2009, SHP 2009, PSID 2007. Results for New Zealand are from Perry (2011) and refer to 2010. Results for Japan are from Cabinet Office, Gender Equality Bureau (2011).

Box 7 The European Union: 2020 vision

In June 2010, the Heads of State and Government of all 27 European Union countries called for 20 million EU citizens to be lifted out of poverty and social exclusion by the year 2020.

How will this be measured?

To be counted as living in 'poverty or social exclusion', an individual must be either 'at risk of poverty', or 'deprived', or 'living in a jobless household'. In 2010, an estimated 80 million people in the EU countries fell into one or more of these three categories, defined as follows:

At risk

A person is considered 'at risk of poverty' if he or she is living in a household with an equivalized income (see Box 3: Do children have incomes?) below 60% of the national median.

Deprived

A person is considered 'deprived' if he or she is unable to meet four or more of the following nine criteria (note: both the list of essential items, and the threshold used, are different from the child-specific deprivation measure used in this *Report Card*):

- can afford to face unexpected expenses
- can afford one week holiday away from home each year
- can pay for arrears of mortgage or rent, utility bills or hire purchase instalments
- can afford a meal with meat, chicken or fish every second day
- can keep the home adequately warm
- can afford a washing machine
- can afford a colour TV
- can afford a telephone
- can afford a car.

By this definition, an estimated 40 million EU citizens are currently deprived.

Jobless

A person is considered to be living in a jobless household if no adult is in paid employment or if the hours spent in paid employment amount to less than 20% of the potential number of hours in a normal working week. By this definition, approximately 40 million of the EU's 250 million people are currently living in jobless households.

Of these three measures, the 'at risk of poverty' indicator – the percentage below 60% of median national income – is considered to be the headline social exclusion indicator and is the most widely used measure of relative poverty in the European Union.

A place for children

None of the original range of 18 indicators selected by the European Commission for the purpose of monitoring poverty paid specific attention to the needs of children.[1] But in 2008, a start was made towards monitoring child poverty. After consultations, a set of indicators specific to the lives of children was included as a special module in the 2009 round of the *European Union Statistics on Income and Living Conditions* (EU-SILC). It is the results of this survey that have been drawn on in order to construct the 14-item child deprivation index presented in this *Report Card* (Figure 1a).

'Secondary data' and special modules are included in each survey on a four-yearly rotating basis; 'primary data' are gathered annually. But as this report argues, the availability of timely data on child poverty and deprivation is critical to protecting the growing minds and bodies of children. Data that is specific to children should therefore find a permanent, annual place in the EU-SILC survey – and European Union poverty reduction targets for 2020 should be revised to include specific targets for reductions in *child* poverty.

1 Notten, G. and K. Roelen (2011). 'Monitoring child well-being in the European Union: Measuring cumulative deprivation', *Innocenti Working Paper* 2011-03, UNICEF Innocenti Research Centre, Florence.

to fall, on average, almost 38% below that line. Children below the relative poverty line in Japan, Latvia, Bulgaria, Denmark, Spain and Romania are seen to be at average income levels that are below the poverty line by 30% or more.

Figure 7 also throws up some surprises. Sweden and Denmark are rightly proud of their traditionally low rates of child poverty, but both find themselves in the bottom half of the league table when judged by the *depth* of relative poverty into which poor children are allowed to fall. The relative 'poverty gap' for children is greater in Denmark than in Sweden, greater in Sweden than in the United Kingdom, greater in the United Kingdom than in France, and greater in France than in Finland.

Comparing the risks

So far these different 'windows' into government performance have concentrated on relative child poverty based on median household incomes. But the newly available data on child deprivation also offer opportunities for comparison. Specifically, it is possible to look at each country's track record in protecting specific categories of children who are known to be at greater risk. For example:

- children in households with 'low work intensity' (as measured by the employment record of adults in the household)
- children whose parents have low levels of education
- children living in single-parent families
- children of migrant families.

Figures 10a, 10b, 10c, and 10d therefore present league tables of a different kind – ranking countries by the protection afforded to some of their most vulnerable children.

Figure10a ranks countries by the protection available to children who live in single-parent households. Norway, Sweden, Iceland, Finland and Denmark are seen to achieve the highest levels of protection, closely followed by the United Kingdom and Ireland. In Belgium, the deprivation

Box 8 The public view

The most common measure used for estimating and comparing relative poverty rates in the rich countries is the percentage of the population living in households where disposable income is below a certain percentage of the national median. The OECD uses a poverty line set at 50% of median income.

These thresholds have been criticised for being arbitrary. Why not draw the line at 40% or at 60%, as in many individual OECD countries (see Figure 5).

But there is evidence that '50% of median income' corresponds quite closely to what the majority of people think of as the income level below which people are 'in poverty'.

The public perception

In one of the most famous speeches ever made about poverty, for example, United States President Franklin Roosevelt declared, "*I see one third of the nation ill housed, ill clad, ill nourished.*" There was no explicit mention of *relative* poverty in this estimate. But when sociologist Donald Hernandez applied a '50% of median income' poverty line to contemporary census data he found that the percentage of the population living below this level was 32%.[1]

A generation later in 1963, President Lyndon Johnson announced his 'War on Poverty' and asked economist Mollie Orshansky to develop the first official US poverty line (see Box 10: The United States: re-drawing the line). Again, the idea that poverty should be defined in relative terms was not intended, and Orshansky drew the line at a fixed number of dollars. But Census Bureau data for 1963 show that the 'Orshansky line' of $3000 for a family or $1500 for an individual corresponded to approximately 50% of median US income at the time.

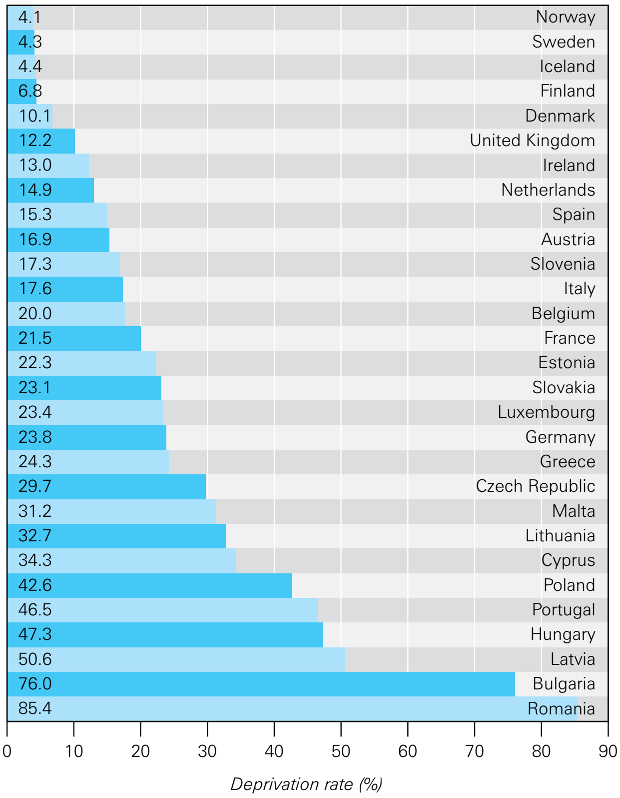
In 1974 Lee Rainwater, another leading figure in the history of poverty studies, brought together a range of public opinion surveys and family budget studies to show that, at every point since the 1930s, the American public's view of the income required to stay above the poverty line has remained close to 50% of national median income. The United States General Social Survey for 1993, for example, reported that, on average, the American public thought that a family of four would be below the poverty line if its income fell below $17,658 (in 1993 dollars). This turns out to be 48% of the US median household income for that year.

Across the Atlantic, the United Kingdom's Joseph Rowntree Foundation has in recent years asked focus groups drawn from different kinds of households to define a minimum acceptable standard of living – based on need not wants. Advised by experts in health and nutrition, the focus groups came up with a 'Minimum Income Standard' which translates into approximately 60% of today's UK median income.

It is sometimes argued that the public at large thinks of poverty in an absolute sense and that the concept of 'relative poverty' is properly understood only by economists and social scientists. But it is clear from these examples that the popular definition of poverty is in fact a relative one.

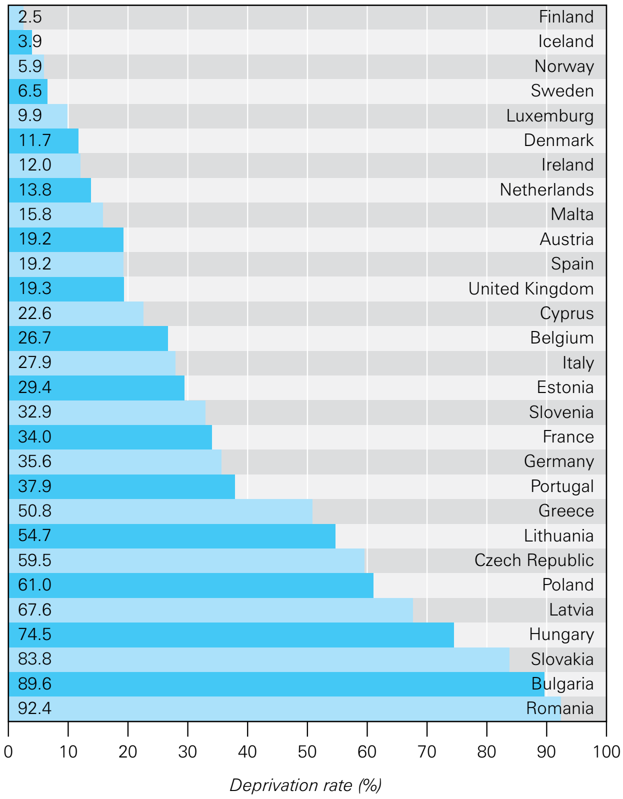
[1] Hernandez, D. J. (1993). *America's Children: Resources from family, government, and the economy*, Russell Sage Foundation, New York.

Fig. 10a Deprivation rate for children living in single-parent families



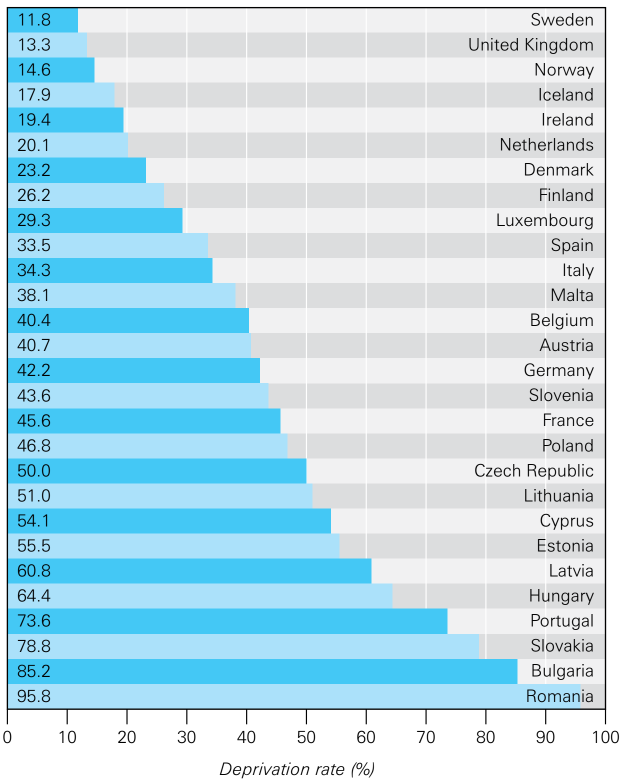
Note: Data refer to children aged 1 to 16.
Source: Calculations based on EU-SILC 2009.

Fig. 10b Deprivation rate for children living in families with low parental education



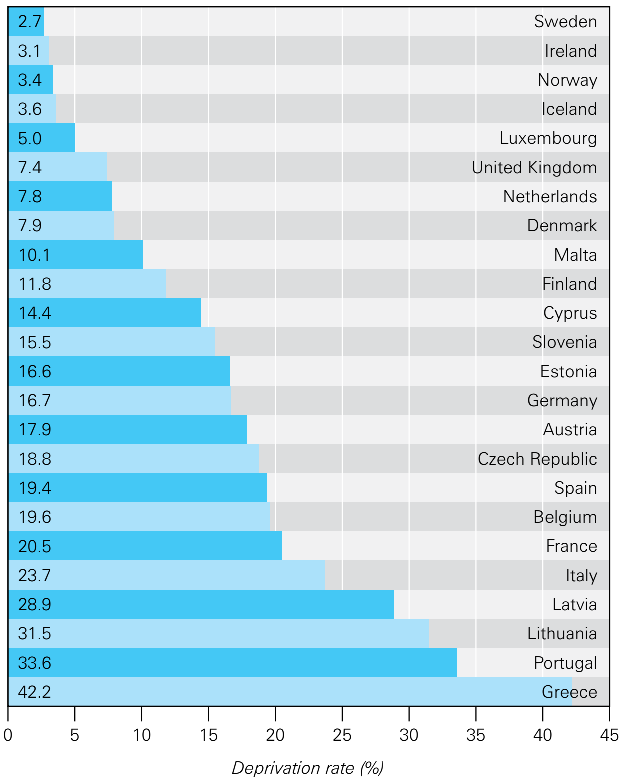
Note: Data refer to children aged 1 to 16.
Source: Calculations based on EU-SILC 2009.

Fig. 10c Deprivation rate for children living in jobless households (no adult in paid employment)



Notes: Data refer to children aged 1 to 16. Greece has been omitted from this table because of the small sample size for the relevant population.
Source: Calculations based on EU-SILC 2009.

Fig. 10d Deprivation rate for children living in migrant families



Notes: 'Migrant families' means that at least one parent is foreign-born. Estimates are based on the 2009 EU-SILC and may differ from estimates drawn from national census data or other surveys. Data refer to children aged 1 to 16. Bulgaria, Hungary, Poland, Romania and Slovakia have been omitted from this table because of the small sample size for the relevant population.
Source: Calculations based on EU-SILC 2009.

level among children in single-parent families is approximately double that of Denmark. Levels in Luxembourg, Germany and Greece are almost double that of the United Kingdom.

Figure 10b shows the deprivation rate for children whose parents have a low level of education. Again, Finland, Iceland, Norway and Sweden have the best protection record, though in a different rank order. And again, large differences emerge. For example, about a third of French children who are living in families with low parental education are deprived, as opposed to considerably fewer than 10% in most Nordic countries.

Figure 10c lists countries by the deprivation level for children who live in households with no employed adult. Unsurprisingly, unemployment increases the risk of child deprivation in all countries; but again the variation between countries is considerable. Sweden, the United Kingdom and Norway top the table with deprivation rates of under 15% for children in 'jobless households' – as opposed to rates around the 40% mark for such wealthy countries as Belgium, Austria, Germany and France.

Figure 10d compares deprivation levels for a fourth vulnerable group – children living in migrant families.

Because children of migrant families may be undocumented and therefore statistically invisible, and because the proportion, composition and background of migrant families vary from nation to nation, this analysis must be treated with care. But the table again shows the same group of countries (with the addition of Ireland) holding positions at or near the top of the protection league. In Sweden, Ireland, Norway and Iceland, fewer than 5% of children in migrant families are deprived. In France and Italy the proportion is more than 20% (and in a further four countries more than 25%).

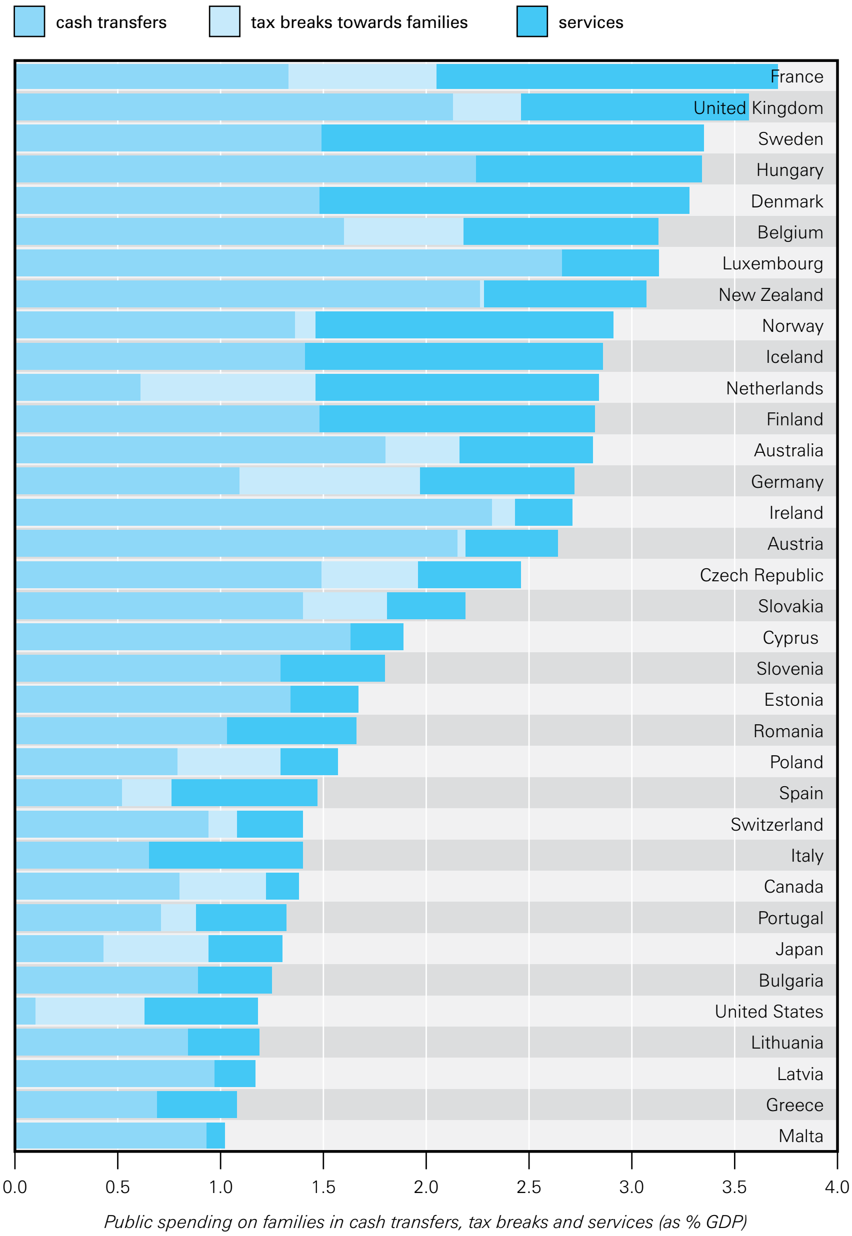
Fig. 10e Child deprivation rates in at-risk groups

Country	Deprivation rate for children lacking 2 or more items	Deprivation rate for children living in single parent families	Deprivation rate for children living in families with low parental education (none, primary and lower secondary)	Deprivation rate for children living in jobless households (no adult in paid employment)	Deprivation rate for children living in migrant families
Iceland	0.9	4.4	3.9	17.9	3.6
Sweden	1.3	4.3	6.5	11.8	2.7
Norway	1.9	4.1	5.9	14.6	3.4
Finland	2.5	6.8	2.5	26.2	11.8
Denmark	2.6	10.1	11.7	23.2	7.9
Netherlands	2.7	14.9	13.8	20.1	7.8
Luxembourg	4.4	23.4	9.9	29.3	5.0
Ireland	4.9	13.0	12.0	19.4	3.1
United Kingdom	5.5	12.2	19.3	13.3	7.4
Cyprus	7.0	34.3	22.6	54.1	14.4
Spain	8.1	15.3	19.2	33.5	19.4
Slovenia	8.3	17.3	32.9	43.6	15.5
Austria	8.7	16.9	19.2	40.7	17.9
Czech Republic	8.8	29.7	59.5	50.0	18.8
Germany	8.8	23.8	35.6	42.2	16.7
Malta	8.9	31.2	15.8	38.1	10.1
Belgium	9.1	20.0	26.7	40.4	19.6
France	10.1	21.5	34.0	45.6	20.5
Estonia	12.4	22.3	29.4	55.5	16.6
Italy	13.3	17.6	27.9	34.3	23.7
Greece	17.2	24.3	50.8		42.2
Slovakia	19.2	23.1	83.8	78.8	
Lithuania	19.8	32.7	54.7	51.0	31.5
Poland	20.9	42.6	61.0	46.8	
Portugal	27.4	46.5	37.9	73.6	33.6
Latvia	31.8	50.6	67.6	60.8	28.9
Hungary	31.9	47.3	74.5	64.4	
Bulgaria	56.6	76.0	89.6	85.2	
Romania	72.6	85.4	92.4	95.8	

Notes: Data refer to children aged 1 to 16. The shading indicates whether a country ranks in the top third (light blue), middle third (mid-blue), or bottom third (dark blue) for each of the four risk categories.

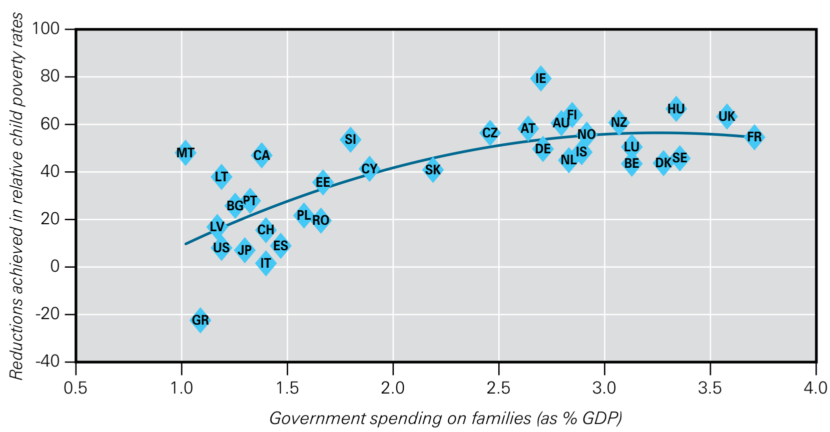
Source: Calculations based on EU-SILC 2009.

Fig. 11 Spending on families and children



Source: Data for public spending are from the OECD Family Database, around 2007.

Fig. 11a Government spending on families and children compared to reductions achieved in relative child poverty due to taxes and transfers



Note: For country abbreviations see page 35.
Source: See Figures 11 and 8.

Figure 10e brings these four deprivation tables together to provide an overview of the protection record of different nations. It presents a remarkably consistent picture in which the same seven countries – Iceland, Sweden, Norway, Finland, Denmark, the Netherlands and Ireland – feature in the top third of the table no matter which at-risk category is chosen. Luxembourg and the United Kingdom feature in the top third of the table for three of the four risk categories.

In addition to what this overview has to say about the protection offered by individual countries to particular groups of at-risk children, the table also makes a strong overall statement that being the child of a single parent, or of a migrant family, or of parents who are unemployed or of low educational level, does not have to mean deprivation. The level of risk incurred is not a function of chance or necessity but of policy and priority.

The level you pay for

Finally, it is possible to examine the commitment of governments to the protection of children by looking at the overall level of resources they are prepared to devote to the task. Figure 11 presents this information in the form of a league table ranking 35 countries by the percentage of GDP that each country spends on cash transfers, tax breaks and services for children and families. France, the United Kingdom and Sweden head the table, followed by Hungary, Denmark and Belgium. Each of these spends twice as a much – as a proportion of GDP – as countries such as Spain, Switzerland, Italy, Canada, Portugal, Japan and Bulgaria. At the bottom of the table are five countries spending little more than 1% of GDP on cash benefits, tax breaks and services for children and families – the United States, Lithuania, Latvia, Greece and Malta.

Figure 11a compares this level of spending with the reductions in

relative child poverty that different governments manage to achieve (see also Figure 8). How the money is spent can be as important as how much is spent, but the chart nonetheless shows a strong relationship between resources expended and results achieved. In particular, spending on children and families is running at well below the OECD average in Greece, Italy, Japan, Latvia, Spain, Switzerland, and the United States. And in all of these countries the lack of priority for children in national budgets shows through in the correspondingly small reductions in relative child poverty that each achieves.

Conclusion

This report has set out the latest internationally comparable data on child poverty as measured by rates of child deprivation and relative child income poverty.

The two measures are profoundly different in concept. Both have strengths and weaknesses. Taken together, they offer two different but complementary measures and offer the best currently available comparative picture of child poverty in the world's wealthiest nations.

Both measures are also behind the times, and the seriousness of this failing has been exposed by the post-2008 economic downturn. At this critical moment for low-income families in so many countries, very few have detailed information on the impact the crisis is having on children's lives. It may of course be argued that in times of crisis governments have more to worry about than producing statistics. But without up-to-date information there is little possibility of putting in place policies that use limited resources in cost-effective ways to protect children from the effects of poverty.

Failure to offer this protection brings heavy costs. The biggest price is paid by individual children whose susceptible years of mental and physical growth are placed at risk. But societies also pay a heavy price – in lower returns on educational investments, in reduced skills and productivity, in the increased likelihood of unemployment and welfare dependence, in the higher costs of social protection and judicial systems, and in the loss of social cohesion. In the medium term, these costs must be met in the hard currency of the billions of extra dollars spent in attempting to cope with the wide range of problems associated with high levels of child poverty. The economic argument, in anything but the shortest term, is therefore heavily on the side of preventing children from falling into poverty in the first place.

Even more important is the argument in principle. Childhood by its nature, and by its very vulnerability, demands of a civilized society that children should be the first to be protected rather than the last to be considered. This principle of 'first call' for children holds good for governments and nations as well as for the families who bear the primary responsibility for protection. And because children have only one opportunity to grow and to develop normally, the commitment to protection must be upheld in good times and in bad. It must be absolute, not contingent.

Nor can this principle of first call be side-stepped by the argument that the protection of children is an individual rather than a social responsibility. No one can seriously claim that it is the child's fault if economies turn down or if parents are unemployed or low-paid. That is why the league tables showing the different degrees of protection provided to at-risk groups should be weighed by politicians, press and public. A society that fails to support parents in the task of protecting the years of childhood is a society that is failing its most vulnerable. It is also a society that is storing up intractable social and economic problems for the years immediately ahead. ■

Box 9 The poverty line: a short history

The earliest known attempts to draw an official poverty line date from 19th-century Britain and were driven by the need to ensure that children from the poorest families were not deprived of schooling.[1]

The United Kingdom's Elementary Education Act of 1870 sought to put all children aged 5 to 13 in school. But as parents were required to pay a small fee, the Act also empowered the members of local School Boards to waive payment "*in the case of any child when they are of the opinion that the parents of such a child is unable from poverty to pay the same.*"[2] The Act specifically stated that this power was to be "*most cautiously and sparingly used,*" but it still left School Boards with a problem: "*No machinery that you could possibly invent,*" said the chairman of the London School Board in 1887, "*would enable you to say what each parent is able to pay.*"[3]

Nonetheless, local School Boards made their judgements as best they could and established what was in effect a 'poverty line' below which school fees need not be paid. Where that line was drawn varied from city to city and was usually kept secret "*for fear that the Board would be cheated.*"[4]

Other problems faced by 19th-century School Boards still face social scientists today: should income be measured before or after housing costs? What should be done about irregular or undeclared earnings? What adjustments needed to be made for larger families? (see Boxes 2 and 3).

Booth and Barnett

The School Boards' struggles were the background to the work of the man generally credited with the invention of the poverty line – the Victorian philanthropist and glove-manufacturer Charles Booth. In his 1877 speech to the Royal Statistical Society, Booth presented the findings of a survey on the incomes of London's poor and suggested that a 'line of poverty', set at 18 to 21 shillings a week, would divide the people of London into those who live 'in comfort' and those who live 'in poverty'.

At about the same time, the social reformer Henrietta Barnett was attempting to calculate a minimum cost of living using 'dietetic science'. Her clergyman husband Samuel Barnett drew on her calculations to propose a weekly minimum income for a family of two adults and six children. This sum, it was stressed, was only for subsistence and allowed nothing for the "*cheering luxuries which gladden life.*"[5]

At the turn of the 19th century the systematic study of poverty took a major stride forward with the work of Seebohm Rowntree, scion of the famous Quaker family of chocolate manufacturers. Published in 1901, Rowntree's 'poverty line' (he was the first to use the phrase) claimed to be "*the first attempt to fix a poverty line on scientific lines.*" Surveying living conditions among 10,000 working class families in the city of York, he proposed a minimum income level to ensure "*adequate nutrition and other essentials.*"[6]

Rowntree proceeded to divide those judged 'poor' (about 25%) into two groups. The first group he defined as living in 'primary poverty' because they simply did not have enough income to meet their basic needs. Those in 'secondary poverty', on the other hand, were failing to meet their needs not because their incomes were too low but because they spent money on non-essential items (beer and tobacco being judged particularly non-essential).

Such a distinction would not be sustainable today, but at the time the concept of 'primary poverty' represented a significant shift away from the 19th-century concept of poverty as a moral failing associated with 'laziness', 'fecklessness', 'shiftlessness' and 'drunkenness'. After Rowntree, poverty came to be seen more and more as the result of impersonal economic forces such as low pay and unemployment in an increasingly industrialized society.

In his later work, Seebohm Rowntree moved closer to a relative concept of poverty. In his 1936 survey, for example, a 'sufficient income' encompassed the ability to buy some items not absolutely necessary for survival, including newspapers, books, a radio, tobacco, beer, and a holiday. By the time of Rowntree's last survey in 1951, it was widely believed that poverty in the United Kingdom was close to being defeated by the post-war advance of the welfare state. But as absolute poverty began to recede into history, the idea of measuring relative poverty was struggling to be born.

Tomorrow's necessities

The idea that poverty is essentially a relative concept and should be measured as such began to gain ground in the 1960s.

In America, the health economist, Victor Fuchs, proposed that the poverty line be set at one half of the median income. *"Today's comforts and conveniences,"* he argued, *"are yesterday's luxuries and tomorrow's necessities."*[7] This proposal has yet to find full acceptance in the United States (see Box 10: The United States: redrawing the line).

In the United Kingdom, the case for a relative poverty line was already being advanced in the late 1950s by Peter Townsend, Professor of Sociology at the London School of Economics and a co-founder of the Child Poverty Action Group. In his 1200-page study 'Poverty in the United Kingdom' (1979), Townsend abandoned the fixed poverty standards of his predecessors in favour of a relative definition that has been central to poverty studies and poverty measurement ever since:

"Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities, and have the living conditions and amenities which are customary, or are at least widely encouraged and approved, in the societies in which they belong."[8]

The influence of Townsend's formulation was enormous, and is manifest for example in the definition of poverty adopted by the European Economic Community in 1984 which states that the poor are:

"persons, families and groups of persons whose resources (material, cultural, and social) are so limited as to exclude them from the minimum acceptable way of life in the Member State in which they live."[9]

Townsend also pioneered the use of non-monetary indicators to measure poverty and deprivation. Drawing up a list of items and opportunities that 'no one should be without', he conducted surveys to find out what proportion of the population lacked such items.

The Townsend scale has been developed and refined ever since. For the United Kingdoms's *Breadline Studies* of 1983 and 1990, for example, researchers Stewart Lansley and Joanna Mack introduced the idea of *"socially perceived necessities"* – arguing that at least half the population should agree that an item was so necessary that *"no one should be without"*.[10] More recently still, the United Kingdom's 1999 *Poverty and Social Exclusion Survey* attempted to reflect social norms by weighting each item on the 'deprivation list' according to the proportion of the population already owning the item.

In the present century, the European Union has played a leading role in developing the concepts and statistical tools for measuring poverty and social exclusion. Three principal measures – relative poverty, deprivation, and joblessness – have been chosen to lead the way in monitoring social exclusion across the 27 EU countries plus Iceland and Norway (see Box 7: The European Union: 2020 vision).

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2 Ibid.

3 Ibid.

4 Ibid.

5 Ibid.

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Box 10 The United States: re-drawing the line

The United States is one of the few OECD countries with an official poverty line – in fact 48 different poverty lines for different sizes and kinds of households.

Developed as part of President Lyndon Johnson's 'War on Poverty' in the early 1960s, the original US poverty line was arrived at by assessing the income required to afford the cheapest of four 'nutritionally adequate' food plans[1] and multiplying the result by three (following research in the mid-1950s which showed that the typical American household spent about one third of its income on food). This worked out at $3000 a year for families and $1500 for individuals.

Updated only for inflation, this is the measure that has officially defined poverty in America for the last 50 years. But because it has been increased only with prices, not incomes, the material standard that it represents has fallen further and further behind the living standards of most Americans. In the 1960s, for example, the poverty line was the equivalent of 50% of national median income; by the end of the century it had fallen to about 30% of median income.[2] The current official US poverty line therefore reflects what was considered to be a minimally acceptable living standard over half a century ago.

New needs

For more than two decades, social scientists in the United States have been urging that the official poverty line should be re-drawn. Most compellingly, revision is needed to bring the poverty line closer to the realities of present day America where the average proportion of family income spent on food is now approximately one eighth rather than one third.[3]

A new poverty line, it is argued, should also take into account not just new needs but also new benefits that governments have made available to those on low incomes. At present, the process of assessing household incomes takes only cash benefits into account, ignoring the more than $200 billion a year disbursed by government to poorer households in the form of food stamps, tax credits and other in-kind benefits. In sum, says Professor Jane Waldfogel of Columbia University, *"The official measure no longer corresponds to reality. It doesn't get either side of the equation right – how much the poor have or how much they need."*[4]

Ideally, a revised national poverty line would also reflect regional differences in the cost of living, especially housing and health care. According to some estimates, for example, the poverty threshold would have to be raised by $3500 a year just to allow for the higher cost of urban living in a wealthy State like Connecticut.[5]

New proposals

In 1995, the United States Congress invited the National Academy of Sciences (NAS) to address these problems. The overall conclusion of the NAS panel was that, *"the current measure needs to be revised: it no longer provides an accurate picture of the differences in the extent of economic poverty among population groups or geographic areas of the country, nor an accurate picture of trends over time."*[6]

In making its proposals, the Academy stopped short of embracing a European-style relative poverty line based on a percentage of median national income. Instead, it proposed basing the new poverty line on a budget for food, clothing, shelter, utilities, and *"a small additional amount to allow for other needs"*. The new measure was to be relative in the sense that the budget was to be based on observed spending in the society at large (and updated every three years), but it tracked only spending on necessities rather than spending of all kinds. The new proposals therefore left the door open for those below the poverty line to fall further and further behind the normal standard of living in the United States.

Experiments

When NAS-style budgets were drawn up and calculated, the dollar value of the resulting poverty line was seen to correspond to about 20% less than half of US median income (in 1992). But this was not the whole story.

A radical change was also proposed in the way that household incomes were calculated. First, all non-cash benefits – such as food stamps, school lunches, and housing and energy subsidies – were to be included. Second, 'non-discretionary expenses' were also to be subtracted – including an allowance for child care and some medical costs and health insurance premiums. Such changes, said the NAS panel, would provide a more realistic assessment of 'disposable household income'. Taken together, they moved the proposed new poverty line closer to 50% of median income (the exact figure would depend on how the proposals were implemented).

Following the NAS report, the United States Census Bureau began tentative experiments with a new poverty measure that incorporated some of the recommendations (though not the allowance for regional variations in the cost of living).

Slow progress

Meanwhile, the official US poverty line remains unchanged.

In part, this can be put down to the fact that a revision along the lines of the NAS proposals would substantially alter both the number and composition of those deemed

to be below the poverty line.[7] This in turn would affect the disbursement of billions of dollars in federal funds, re-write the eligibility rules for particular benefit programmes, alter the pattern, level and funding for federal and state programmes, and impact on different demographic groups in different ways. Add to this the fact that the official poverty line is the responsibility of the Executive Office of the President and it is evident that any re-drawing of the line is going to be a high-profile issue subject to intense institutional and political pressures.

While the debate continues, the United States Census Bureau has tentatively introduced a *Supplemental Poverty Measure*[8] to be deployed, as an experiment, alongside the official poverty line.

Running old and new poverty lines side by side might help to loosen the ideological knot at the heart of the debate. One of the objections to the NAS proposals is that they are to some extent based on observed spending in the society as a whole; they are therefore seen by some as a step towards a European-style relative poverty line. To conservatives in the United States, as elsewhere, the concept of 'relative poverty' is a Trojan horse which, once admitted within the walls, would pour forth the warriors of more progressive taxation.

In the meantime, individual States and programmes have begun to move forward on their own.[9] New York City's Office of Economic Opportunity, for example, has already begun to use NAS-style poverty measures.

Comparisons with Europe

In comparing child poverty rates with other developed countries, even the new *Supplemental Poverty Measure* would almost certainly underestimate the level of relative child poverty in the United States. This is because a majority of OECD countries provide free or subsidized early childhood care and education, free or subsidized health care (or health insurance), and significant subsidies for parental leave. In the United States, such services must usually be paid for from 'disposable household income'. Like is not therefore being compared with like.

In 2007, Professor Donald Hernandez, with colleagues Nancy Denton and Suzanne Macartney, made a proposal that would allow a more accurate comparison to be made between child poverty rates in the US and other developed countries. Using the NAS recommendations as a guideline, and drawing on research by Washington's Economic Policy Institute, the new proposals first calculate the income needed for 'Basic Budget Poverty'. More radically, the proposal then calculates real disposable household incomes by subtracting non-discretionary costs such as transport to work, health insurance, and good quality early childhood education and care.

The result of this experiment, when applied to Census Bureau data for the end of the 1990s, was a US child poverty rate of approximately 34%. This compares with the UNICEF estimate for the same period of 21.9% (for relative child poverty based on the percentage of children in households with below 50% of median income).

This approach may overstate the availability of free or subsidized 'good quality' early childhood education and care in many OECD countries. But the authors believe their approach can be justified and that it carries the important message that child poverty in the United States is even more out of line with the rest of the developed world than was previously thought:

"A poverty measure going beyond the UNICEF approach to incorporate these costs shows much larger differences than indicated by the UNICEF measure. The UNICEF poverty rates for six countries with near universal maternal/parental leave, preschool and national health insurance, range from 2.4% in Denmark to 10.2% in Germany. The UNICEF measure for the US is at least double these rates at 21.9%, and the Basic Budget Poverty Rate taking into account childcare/early education and health care is three times greater..."[10]

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8 The Research Supplemental Poverty Measure, United States Census Bureau, November 2011. Available at: www.census.gov/hhes/povmeas/methodology/supplemental/research/Short_ResearchSPM2010.pdf

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10 Hernandez, D. J., N. A. Denton and S. E. Macartney (2007). 'Child Poverty in the US: A new family budget approach with comparison to European countries', in Wintersberger, H., L. Alanen, T. Olk and J. Qvortrup (eds). 'Childhood, Generational Order and the Welfare State: Exploring Children's Social and Economic Welfare', Volume 1, *COST A19: Children's Welfare*, University Press of Southern Denmark.

Data for *Report Card 10*: the surveys

The statistical work for *Innocenti Report Card 10* is based on the direct elaboration of household survey microdata for 33 economically advanced countries. For two countries, Japan and New Zealand, the statistical results have been derived from national studies shared by their respective authors with the UNICEF research team.

Most of the surveys elaborated for this study were conducted in 2009.

European Union

European Union Statistics on Income and Living Conditions (EU-SILC)

The 2009 round of EU-SILC is the main source of data used for *Report Card 10*, providing data on deprivation and relative poverty among children for the 29 countries included in this study (all 27 European Union countries, plus Iceland and Norway).

EU-SILC surveys are conducted annually and collect comparable data on income, poverty, social exclusion and living conditions from representative samples of private households and their current members living in the territory of the countries at the time of the data collection.

EU-SILC is the main source of data to monitor the indicators by which the European Union has agreed to measure its progress toward reducing social exclusion. The surveys are administrated nationally, with some flexibility in the implementation (the national surveys are based on a common framework which defines target variables, and on common guidelines and concepts to maximize international comparability).

The survey is made up of a core component (same content every year) and special modules (which change annually). The 2009 EU-SILC survey included the special module on 'Material Deprivation', including 36 variables. Many of these new variables were about 'child material deprivation' and covered 'basic needs', 'educational or leisure needs' and 'medical needs'. Many of the variables included in the 2009 special module have been used for the analysis of child material deprivation in this *Report Card*.

The EU-SILC data on child material deprivation refer to the year 2009, while those on child poverty refer to 2008 (except for the United Kingdom, which refer to 2009).

More information can be found at:
epp.eurostat.ec.europa.eu/portal/page/portal/microdata/eu_silc

A comprehensive review of EU-SILC can be found in:

Atkinson, Anthony B. and Eric Marlier (eds) (2010), *Income and Living Conditions in Europe*, Eurostat, European Commission, Publications Office of the European Union, Luxembourg.

Data on child income poverty have been elaborated from the following national representative surveys:

Australia

Household Income and Living Dynamics in Australia (HILDA), 2008–2009.

HILDA is a household panel study which collects information on income, employment, family life and household composition on an annual basis.

This survey is conducted annually by the Melbourne Institute of Applied Economic and Social Research (University of Melbourne) and is funded by the Australian Government through the Department of Families, Housing, Community Services and Indigenous Affairs. The income data extracted from this survey refer to the fiscal year July 2008–June 2009.

More information can be found at:
www.melbourneinstitute.com/hilda/

Canada

Survey on Labour and Income Dynamics (SLID), 2009.

SLID is a panel survey run by Statistics Canada. It is the country's primary source for income data, and includes information on family situation, education and demographic background. The survey is representative of all individuals living in Canada, excluding residents of the Yukon, the Northwest Territories and Nunavut, as well as residents of institutions and persons living on Indian reserves. Overall, these exclusions amount to less than 3% of Canada's population.

Report Card 10 uses data from the 2009 round of the SLID, with income poverty data referring to the year 2008.

More information can be found at:
www.statcan.gc.ca

Switzerland

Swiss Household Panel (SHP), 2009.

SHP is a yearly panel study, run by FORS, the Swiss Foundation for Research in Social Sciences, based at the University of Lausanne.

The study follows a random sample of households in Switzerland over time with the aim of observing social change, focusing in particular on changing living conditions.

Report Card 10 uses data from the 2009 round of the SHP, with income poverty data referring to the year 2008.

More information can be found at:
www.swisspanel.ch

United States

Panel Study on Income Dynamics (PSID), 2007.

PSID is a national representative panel study on socio-economic status and health across generations in the United States. The PSID, started in 1968, is directed by the Institute of Social Research at the University of Michigan and collects data on income, wealth, expenditure, demographics, education, child development and other topics.

The PSID data used for *Report Card 10* are those from the 2007 survey, with income poverty data referring to the year 2006.

More information can be found at:
psidonline.isr.umich.edu/

For the four surveys described above, HILDA, SLID, SHP and PSID, harmonized household income data have been obtained from the Cross National Equivalent File (CNEF), a project managed by Cornell University. These data complemented those extracted directly from the original survey.

More information can be found at:
www.human.cornell.edu/pam/research/centers-programs/german-panel/cnef.cfm

Additional sources of information on income poverty

Japan, 2010.

The statistics on child income poverty for Japan have been taken from:

Cabinet Office, Gender Equality Bureau, Japan (2011), 'The State of Poverty and Gender Gap', paper presented at the Working Group on "Women and the Economy", Specialist Committee on Basic Issues and Gender Impact Assessment and Evaluation under the Council for Gender Equality, Tokyo 20 December 2011.

The data presented in this paper have been elaborated from the 2010 *Comprehensive Survey of Living Conditions* of the Ministry of Health, Labor and Welfare. The data on income refer to the year 2010.

More information can be found at:
www.mhlw.go.jp/english/database/db-hss/cslc-index.html

New Zealand, 2009–2010.

The statistics on child income poverty for New Zealand have been taken from:

Perry, Bryan (2011),'Household Incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2010', Ministry of Social Development, Wellington, July 2011.

This paper elaborates microdata from the 2009-2010 *Household Economic Survey* of Statistics New Zealand. Income data from this survey refer to 2010.

More information can be found at:
www.stats.govt.nz/surveys_and_methods/our-surveys/hes-resource.aspx

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Country abbreviations

Australia	AU
Austria	AT
Belgium	BE
Bulgaria	BG
Canada	CA
Czech Republic	CZ
Cyprus	CY
Denmark	DK
Estonia	EE
Finland	FI
France	FR
Germany	DE
Greece	GR
Hungary	HU
Iceland	IS
Ireland	IE
Italy	IT
Japan	JP
Latvia	LV
Lithuania	LT
Luxembourg	LU
Malta	MT
Netherlands	NL
New Zealand	NZ
Norway	NO
Poland	PL
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Romania	RO
Slovakia	SK
Slovenia	SI
Spain	ES
Sweden	SE
Switzerland	CH
United Kingdom	UK
United States	US

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